EMPLOYMENT AND WORKING LIFE IN ESTONIA 2008–2009

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Trends

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Introduction

2008 was a year of major changes for the Estonian labour market. In the first half of the year, Estonia could still feel pride for good labour market indicators. As a result of the fast economic growth of the recent years, the number of employed persons in Estonia had reached a record level, while the number of the unemployed was as low as in the beginning of the 1990s. Unemployment had been replaced by a shortage of labour force.

A sudden change occurred in the second half of 2008, when the effects of the global economic crisis reached the Estonian labour market. Increasing recession resulted in the rise of unemployment at an unprecedented rate, which continued, without slowing, in 2009. Consequently, in just 12 months, we could experience two completely different situations: almost full employment in the middle of 2008 and the fastest decrease in employment of the entire new independence period in the first half of 2009, with multiplication of the number of unemployed persons.

This collection of trends characterises those radical changes that took place in 2008 and in the first half of 2009. Relying on abundant statistical data, we try to analyse the impact of the recession on Estonia's labour market. The main sources used are Eurostat database, data from the Labour Market Board and the Estonian Unemployment Insurance Fund, the Estonian Labour Force Survey and other surveys of Statistics Estonia.

The collection includes five chapters. The first chapter provides an overview of the impact of the economic crisis on the labour markets of the EU Member States, including Estonia. We see that deterioration of employment indicators has been much faster in Estonia and in other Baltic countries than in other countries of the EU. These are also the countries with highest unemployment rates in Europe. Unfortunately, we have to acknowledge that unemployment in Estonia more than tripled in one year, which is the highest increase in the EU.

The remaining parts of the collection focus on the Estonian labour market. The second chapter provides a description of various employment statuses and of relevant changes during the period observed. The chapter covers employment, changes in employment by sectors and occupations, wages, unemployment, and inactivity. Of the risk groups of the labour market, special attention is given to the long-term unemployed, young people and older people.

The third chapter uses data from the Labour Market Board and the Unemployment Insurance Fund to provide an overview of the dynamics of registered unemployment, the number of unemployed who receive labour market services, unemployment allowance and unemployment insurance benefits, the expenditure on labour market policy, etc. The analysis indicates that the number of the registered unemployed has increased at a similar rate as general unemployment, and is expected to increase further in the near future. The number of the registered unemployed has never been as high in Estonia as in the second and third quarter of 2009.

The fourth part of the collection discusses emigration of labour force, which has received more public attention after Estonia's accession to the EU. In the current situation of recession, when the number of the unemployed increases, there is increased pressure for emigration of labour force, even though finding a job abroad could also be difficult during the recession. The analysis is based on data from the Estonian Labour Force Survey.

Estonia belongs to the group of countries where immigrants constitute a large part of the working-age population. Therefore, the fifth chapter analyses the situation of the immigrant population in the labour market in comparison to the natives. Closer attention is paid to recent immigrants who have arrived in Estonia in the last ten years. The main source is again the Estonian Labour Force Survey.

The target group of the collection includes, above all, those who come across labour matters in their daily work, but also those who have deeper interest in the developments in the field of labour. We hope that the abundant statistical material helps policymakers in making the correct choices. The developments of the labour market in previous years (2003–2007) are described in the collection of trends, published in 2008, "Employment and Working Life in Estonia 2007" (Series of the Ministry of Social Affairs No 5/2008).

In the name of the authors, Ülle Marksoo,
Editor

1. Impact of the global economic and financial crisis on the labour market of the European Union

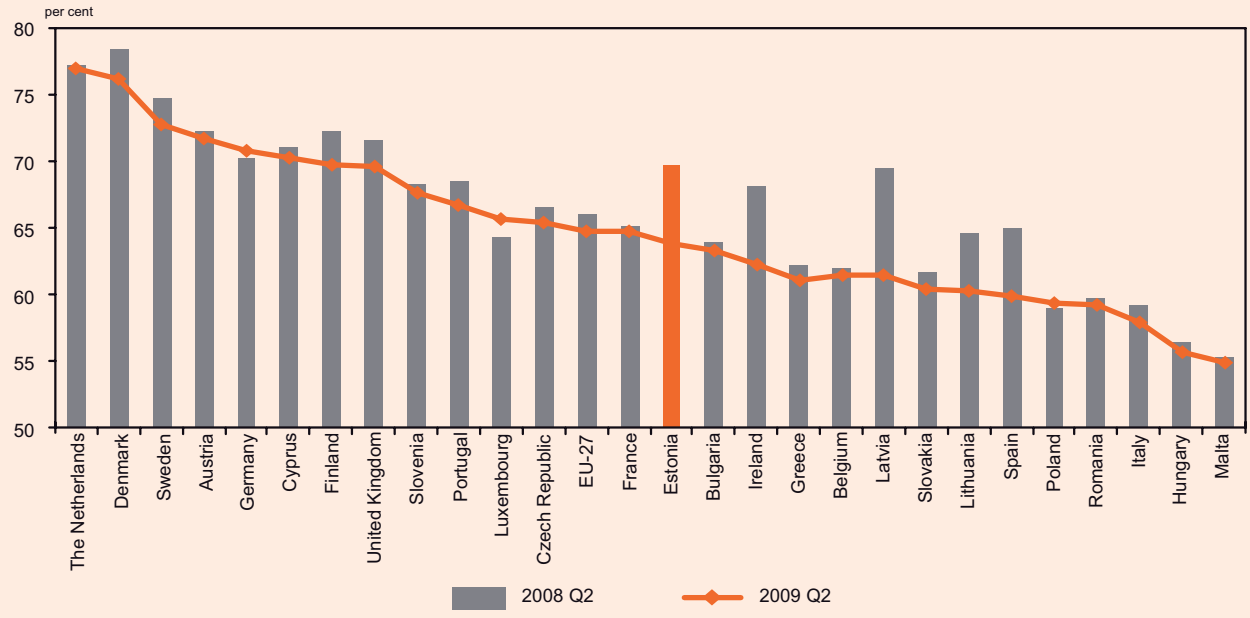
Ülle Marksoo

The impact of the global economic and financial crisis reached Europe in the second half of 2008, when economic growth reversed. The contraction of economy was caused by rapid decline of internal and external demand. The consequent wave of bankruptcies and loss of jobs caused in many countries an unprecedented drop in employment and increased unemployment. The recession was particularly strong in the Baltic countries, Ireland, and Spain. According to the projections of the European Commission, the number of employed persons in the countries of the European Union (EU) is expected to decrease by 2.5% in 2009 and by further 1.5% in 2010. The unemployment rate is expected to rise from the current level of 8% to 11%.[1]

This chapter analyses the impact of the economic crisis on the EU Member States and their indicators of employment and unemployment. As the changes in the labour market have been extremely fast, the analysis is based on the comparison of quarters instead of years. In the following analysis, employment indicators of Q2 in 2008 are compared to the indicators of Q2 in 2009.

A decrease in employment is best characterised through the employment rate[2]; the respective changes in EU27 are illustrated on Figure 1.1.

Figure 1.1. **Employment rate in the EU Member States in Q2 of 2008 and 2009**



Source: Eurostat[3]

[1] European Commission, ECFIN Economic Brief, Issue 1, May 2009. http://ec.europa.eu/economy_finance/publications.

[2] Employment rate – percentage of the employed among the population aged 15–64.

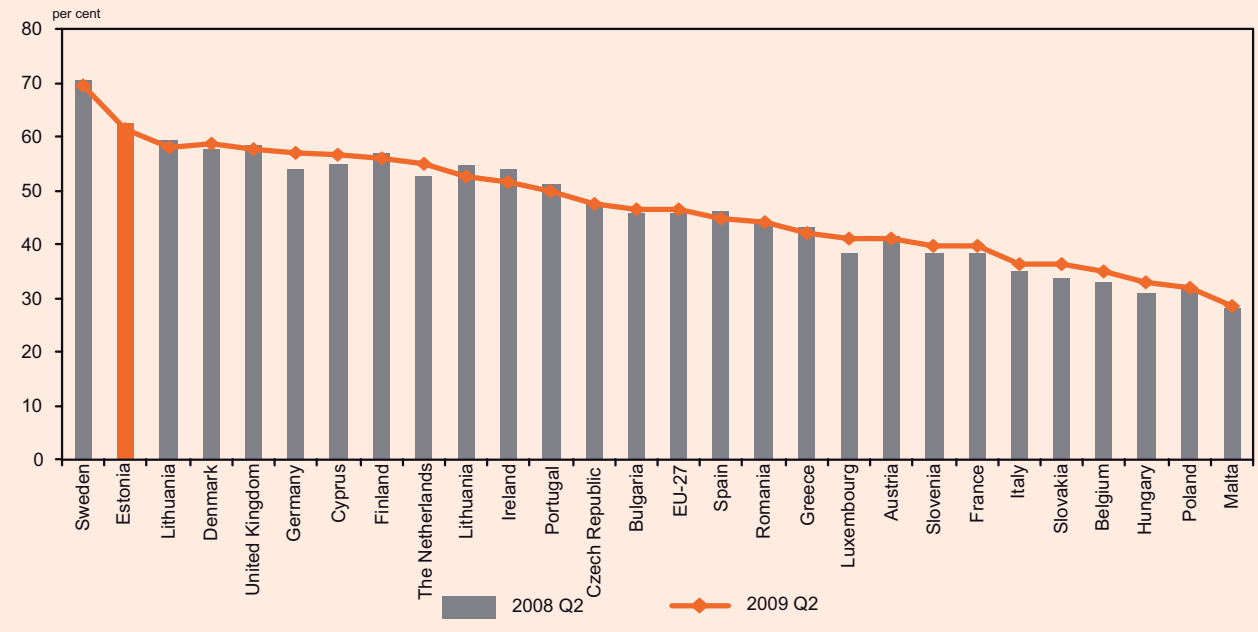
[3] Eurostat data are from the following public database: http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_lfs/data/database.

Figure 1.1 indicates that a growing employment rate was registered, during the period in consideration, only in two countries – Luxembourg and Poland. The employment rate in Q2 2009 remained above 70%, despite a decrease, in the Netherlands (77%), Denmark, Sweden, Austria, Germany and Cyprus, with the lowest rates being registered in Malta (54.9%) and Hungary. The drop in the employment rate was largest in Latvia (from 69.5% to 61.4%), Estonia (from 69.8% to 63.4%), Ireland, Spain, and Lithuania. The principal sufferers from the economic crisis included young people and men, particularly those employed in the construction sector or manufacturing. Therefore, the decrease in the employment of men had a strong impact on the general employment rate of the EU. A rapid decrease in the employment rate of men was registered in the same countries that experienced the largest drops in total employment rates. While the employment rate of men decreased by 2.1 percentage points in one

Figure 1.2. **Employment rates of men and women in Q2 2009**

Source: Eurostat

Figure 1.3. **Employment rate of people aged 55–64 in Q2 of 2008 and 2009**



Source: Eurostat

year in the EU in general, the decrease was 9.4% in Estonia and even 11.3% in Latvia.

The employment rate of women decreased in the EU only by 0.3 percentage points. In Denmark, the Netherlands and Sweden, the employment rate of women still remained above 70%. Malta was the only country where the employment rate of women was under 40% (37.6%). In Italy, Greece and Hungary, the employment rate of women was below 50%. Estonia, having been ranked sixth-highest with 66.1% in 2008, dropped to ninth place in one year. The employment of women grew in seven countries and remained unchanged in two.

As a result of the sudden decline in the employment of men and the moderate decline in the employment of women, the employment gap between men and women in the EU decreased from 13.9 to 12.1 percentage points, but the situation can be very variable between countries (Figure 1.2). For instance, the employment rate of men was 6.7 percentage points higher than the employment rate of women in Lithuania in Q2 2008, but one year later, Lithuania became the only country where the employment rate of women was higher than that of the men (by 0.1 percentage points). The employment gaps were very small in Estonia, Latvia and Finland as well. Particularly large gaps in employment rates can be observed in the countries of Southern Europe, where women have traditionally had low levels of employment. In Malta, the employment gap is even as high as 34 percentage points, and it is above 20 percentage points in Italy and Greece as well.

There were some surprises in the dynamics of the employment rate of older people. On the background of a general decrease, the employment rate of people aged 55–64 increased in the EU by 0.6 percentage points and increases were registered in 14 countries (Figure 1.3).

The highest percentages of older people are employed in Sweden (69.6%) and Estonia (61.2%). Sweden tops the rankings of both men and women in the employment rate of older people. In the remaining countries, the employment rate of older people is under 60% and even under 40% in eight countries. The reason for the high employment rate of older people in Estonia is extensive participation of women in the labour market and Estonia is again second after Sweden in this ranking. The employment rate of older men in Estonia is also higher than the EU average – seventh in the general ranking. A high employment rate of women has increased the total employment rate of older people in Latvia as well, placing it third in the ranking, after Estonia. In general, we see that in the Nordic countries, both men and women work until older ages, while the period of work is shorter in southern countries. The lowest employment rate of older people was again registered in Malta (28.4%), where only every twelfth older woman is employed.

Not only did the recession cause a decrease in the number of employed people, but it also forced many companies to use layoffs or part-time work due to decreased demand. 18.7% of employed persons in the EU held part-time jobs in Q2 2009 (8% among men, 32% among women). The share of part-time work increased in 21 Member States, with the highest increase registered in Estonia: from 6.4% to 11.7%. With this indicator, Estonia reached the first place among other new Member States. Malta, Slovenia and Romania were the other three countries where the share of part-time work was at least 10%. This indicator was lowest (2.6%) in Bulgaria (Figure 1.4).

Part-time work is much more common in the old Member States. The Netherlands leads the way, with nearly half of the employed persons (48%) having part-time jobs. Sweden comes second with 27%. Roughly a quarter of employed persons have part-time jobs in Germany, the United Kingdom, Denmark and Austria. Women are four times more likely to hold part-time jobs than men. As many as 76% of employed women have part-time jobs in the Netherlands and the percentage is above 40% in Austria, the United Kingdom, Sweden, Germany and Belgium as well.

The loss of jobs and the resulting sudden drop in employment rates caused an increase in unemployment rates in all countries of the EU (Figure 1.5).

There were 21 million unemployed persons in total in the EU in Q2 2009. The number of job-seekers

Figure 1.4. **The percentage of part-time workers among all employed persons in Q2 of 2008 and 2009**

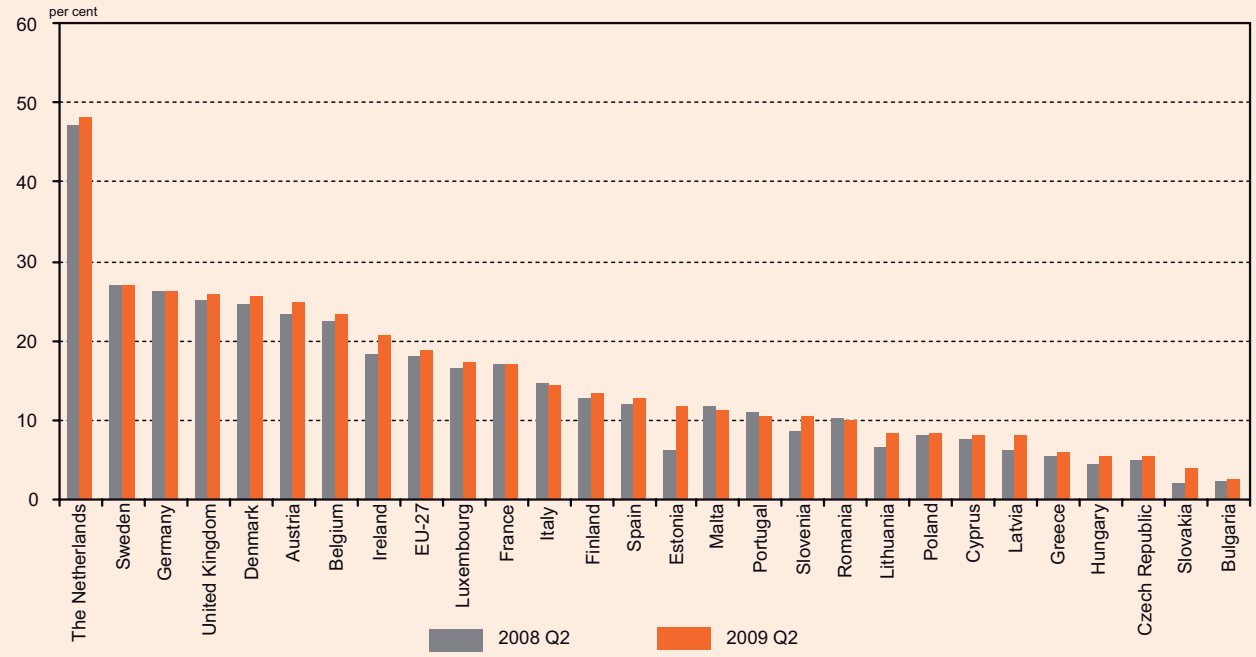
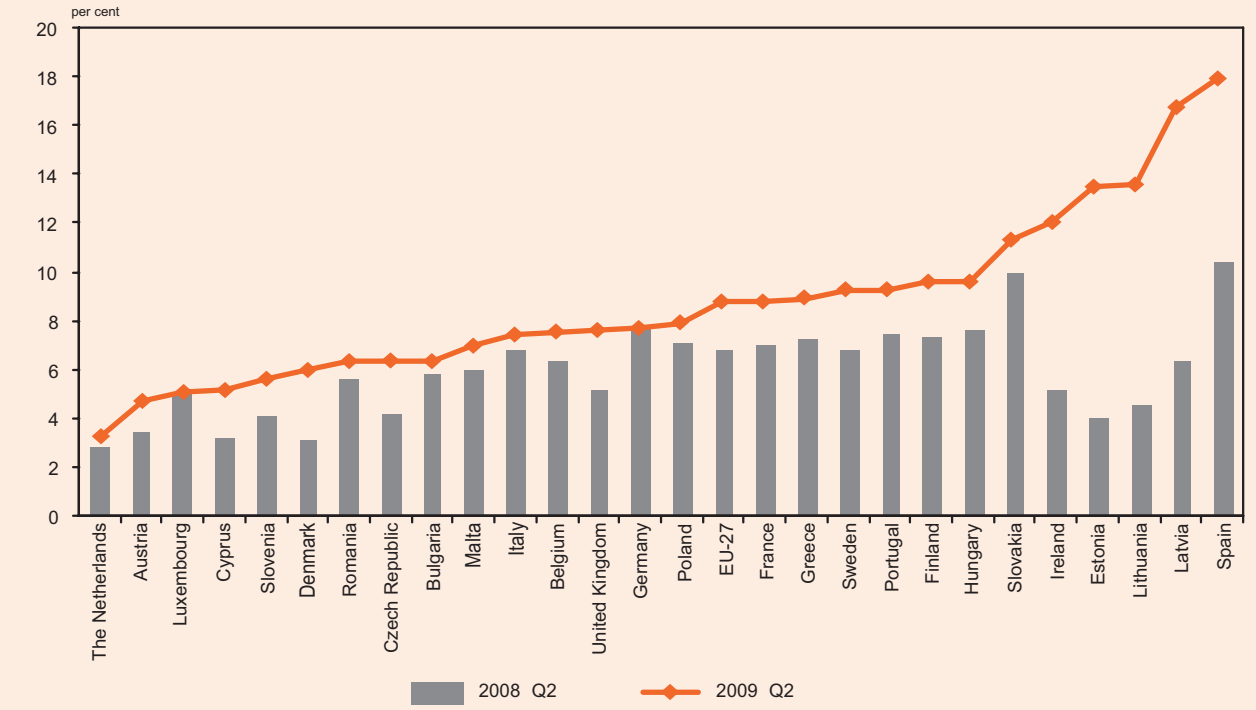


Figure 1.5. **Unemployment rate in the EU Member States in Q2 of 2008 and 2009**



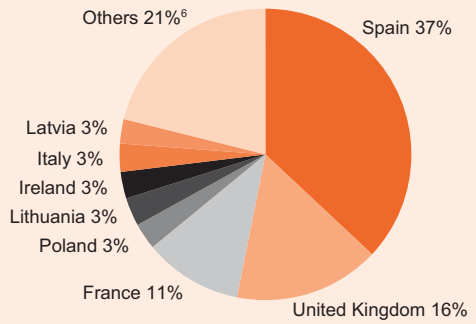
Source: Eurostat

increased by 4.8 million in one year, including almost 1.8 million (37%) in Spain. The unemployment rate[4] in the EU rose from 6.8% to 8.8%, primarily due to the large army of the unemployed in Spain. In addition to Spain, the highest levels and fastest growths of unemployment were registered in Estonia, Latvia, Lithuania, and Ireland. Only a year before, the unemployment rate in these four countries was lower than the EU average. A major change has happened during that period. For ins-

[4] Unemployment rate – the percentage of the unemployed in the labour force.

tance, the Estonian unemployment rate has increased more than three times, which is the fastest growth in the EU[5]. In absolute figures, the United Kingdom and France were the two largest contributors, after Spain, to the growth of unemployment in the EU (Figure 1.6[6]).

Figure 1.6. **Share of the EU Member States in the increase of unemployment from Q2 2008 to Q2 2009**



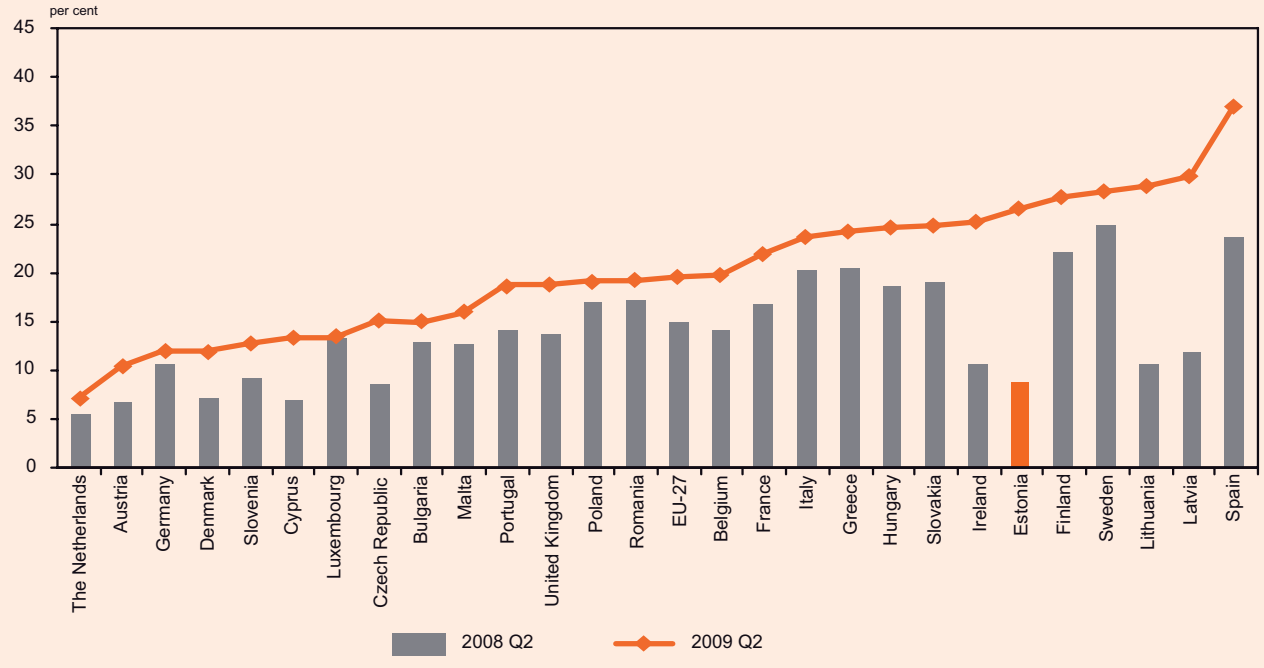
Source: Eurostat

The unemployment of young people, which had been continuously decreasing from 2004, started to rise sharply as well. The unemployment rate of young people increased by 4.5 percentage points in the EU in one year, primarily due to increasing unemployment among men (Figure 1.7).

The levels of unemployment of young people were highest in Spain (39.9% among men, 35.9% among women), the Baltic countries, Finland, Sweden, and Ireland. The unemployment rate of young men was at least 30% in all the aforementioned countries. In Estonia, Latvia and Lithuania, the unemployment rate of young people increased over three times in one year. The unemployment of young women is highest in Spain, Greece, Italy, Sweden, Finland and Lithuania, with the rate being above 25% in all these countries, and even above 30% in Spain and Greece. The Netherlands is the country with the lowest level of unemployment among young people – less than 10% among both men and women.

According to projections, the level of unemployment is expected to remain high for the next couple of years. Even tough economic indicators should improve in 2010 it will not immediately cause a decrease in unemployment. Consequently, it can be expected that the duration of job-seeking will

Figure 1.7. **Unemployment rate of people aged 15–24 in the EU Member States in Q2 of 2008 and 2009**



Source: Eurostat

[5] European Commission, EU employment situation and social outlook, September 2009. http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=593&furtherNews=yes

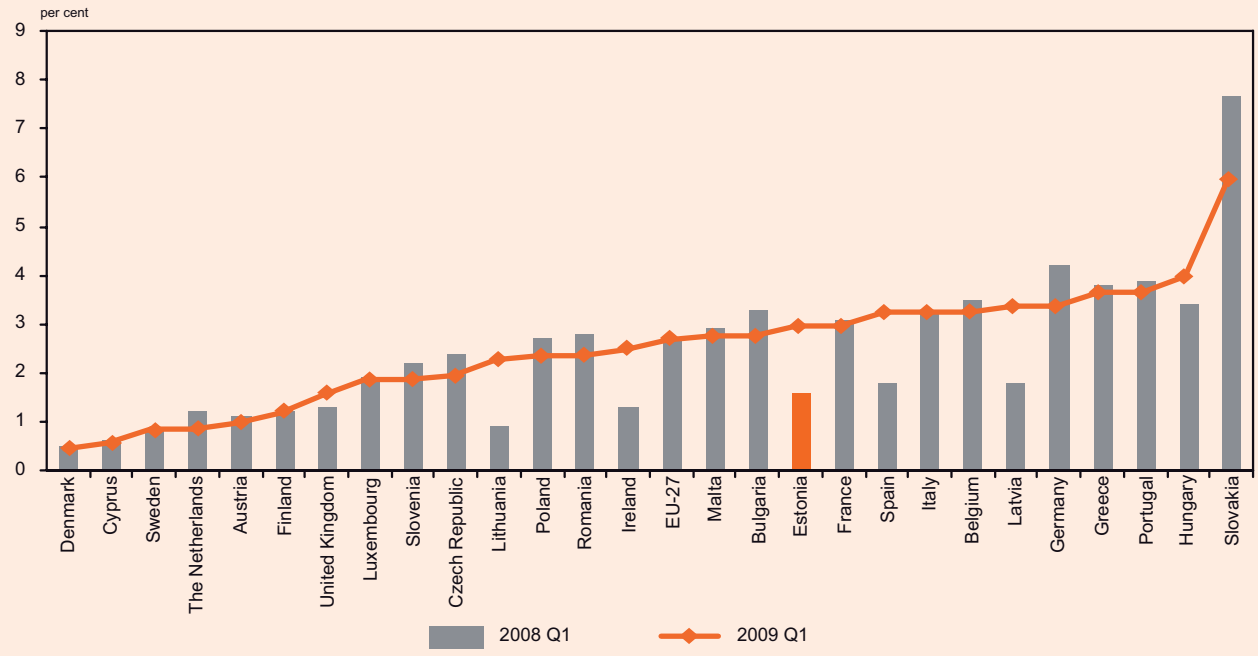
[6] The group of other countries includes countries where the increase in the number of the unemployed was less than 2.5%, or under 120,000 persons in absolute figures.

increase and, consequently, the level of long-term unemployment[7] will rise. The following Figure 1.8 illustrates the changes in the long-term unemployment rate[8] during the economic crisis from Q1 2008 to Q1 2009.

The long-term unemployment rate in the EU in general has not changed during the year, remaining close to 2.7% at the beginning of both 2008 and 2009. However, differences can be observed between countries. Slovakia has the highest rate of long-term unemployment (6.0%), with 58% of all the unemployed being long-term unemployed, but this figure was even at 74% a year before. The percentage of the long-term unemployed has decreased in most countries, because the number of the short-term unemployed has increased. A minor increase in this percentage was registered only in Spain and Lithuania. In most cases, the long-term unemployment rate has decreased as well, but increases were observed in nine countries. Of these nine, Estonia, Latvia, Lithuania, Spain and Ireland have experienced almost a doubling of long-term unemployment. The same countries also lead the general ranking of unemployment rate.

In conclusion, we saw that Estonia's employment indicators have deteriorated to a much greater extent than in the majority of other EU countries. Unemployment in Estonia increased more than three times in one year, which is the fastest growth in the EU. Unemployment of young people increased at the same rate. We have achieved a good position, second place, only in the ranking of the employment rate of older people. Latvia, Lithuania, Ireland and Spain are the other countries, alongside Estonia, that have suffered the most as a result of the economic recession, because many men in these countries lost their jobs after contraction in the construction sector and manufacturing.

Figure 1.8. **Long-term unemployment rate in the EU Member States in Q1 of 2008 and 2009**



Source: Eurostat

[7] Long-term unemployment – job-seeking for 12 months or longer.
[8] Long-term unemployment rate – the percentage of the long-term unemployed in the labour force.

2. Situation of the Estonian labour market in 2008 and in the first half of 2009

Ülle Marksoo, Märt Masso

2.1. General trends

2008 was a year of major changes for the Estonian labour market. Despite the global recession that started in 2007, employment rate continued to increase and unemployment decreased in the first half of 2008 – both trends started in 2001. The unemployment rate in Q2 was comparable with the level of 1992, while the employment rate was at the highest point of the last ten years and continued to rise in Q3. As employment indicators are characterised by a delayed response to decreasing economy, the impact of the recession on the labour market became noticeable in the second half of 2008.

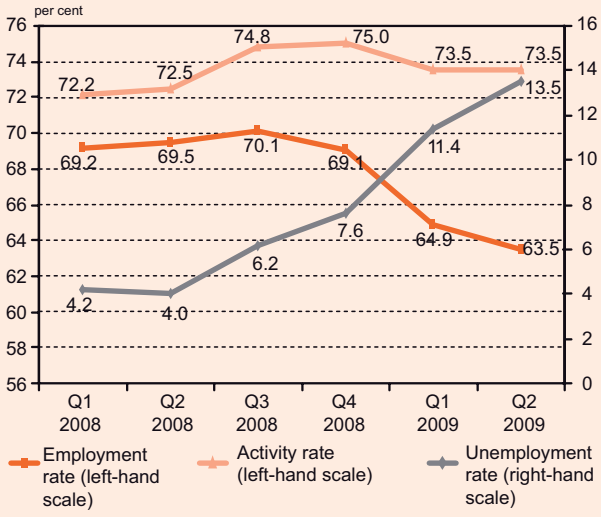
Table 2.1. **Changes in employment status in the age group 15–74, 2004–2008**

	2004	2005	2006	2007	2008
Growth of GDP, %	7.2	9.4	10.0	7.2	–3.6
Increace of employment, %	0.2	2.0	6.4	1.4	0.2
Employed, thousand	595.5	607.4	646.3	655.3	656.5
men	299.1	300.5	322.9	330.0	330.9
women	296.4	306.9	323.3	325.4	325.6
Unemployed, thousand	63.6	52.2	40.5	32.0	38.4
men	34.7	28.9	21.3	18.9	20.2
women	28.9	23.3	19.2	13.1	18.1
Inactive, thousand	388.7	389.0	362.3	359.0	347.9
men	153.8	159.2	145.7	140.3	136.7
women	234.9	229.8	216.5	218.7	211.2
Activity rate (15–64)[10], %	69.5	69.6	72.1	72.5	73.6
Employment rate (15–64)[11], %	62.6	64.0	67.7	69.1	69.5
Unemployment rate[12], %	9.7	7.9	5.9	4.7	5.5

Source: Statistics Estonia, Estonian Labour Force Survey

According to the 2008 Labour Force Survey of Statistics Estonia, the Estonian population in the age bracket 15–74 included 656,500 employed, 38,400 unemployed and 347,900 inactive[9] persons. Despite the recession, the average number of employed persons grew by 0.2% compared to the previous year, i.e., by 1,200 persons, but the number of the unemployed increased as well, by 6,300 persons, or 19.7%. This indicates that more inactive people were added to the group of job-seekers. In comparison to 2007, the employment rate increased from 69.1% to 69.5%, while the unemployment rate inc-

Figure 2.1. **Dynamics (quarterly) of the employment rate, activity rate and unemployment rate, 2008–2009**



Source: Statistics Estonia, Estonian Labour Force Survey

[9] Inactive – persons who are neither employed nor looking for a job (students, pensioners, people on parental leave, incapacitated for work, discouraged people, etc.).

[10] Activity rate – percentage of labour force (employed and unemployed) in the population of 15–64 years of age.

[11] Employment rate – percentage of employed persons in the population of 15–64 years of age.

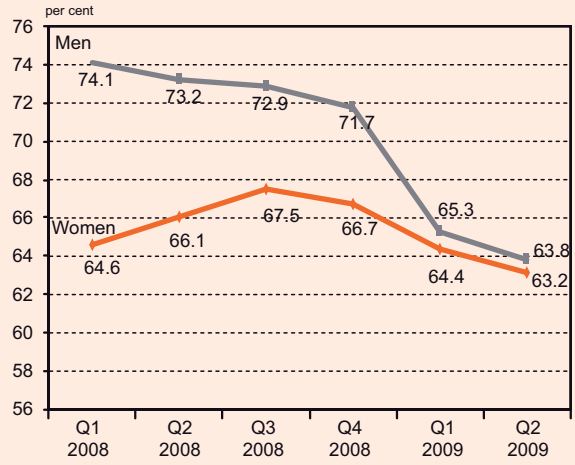
[12] Unemployment rate – percentage of unemployed persons in the labour force.

reased from 4.7% to 5.5%. The simultaneous increase in employment and unemployment boosted the activity rate, which increased by 1.1 percentage points during the year.

The quarterly trends of employment and unemployment are illustrated on Figure 2.1.

Figure 2.1 indicates that a rapid increase in unemployment started in Q3 of 2008 and has continued at the same rate in 2009. At the same time, the number of employed persons still increased in Q3, but then came a sudden drop. Shrinking of export markets and cutbacks in orders forced businesses to reduce costs. Many companies had to dismiss their employees or use layoffs or part-time work. This affected in particular the sectors where the majority of workers were men (construction, manufacturing) and, consequently, the drop was particularly steep in the employment rate of men. In one year – from Q2 2008 to Q2 2009 – the employment rate of men decreased by 9.4 percentage points, becoming almost level with the employment rate of women (Figure 2.2). Such sudden drop in the employment rate was unprecedented in the Estonian labour market. The employment gap between men and women has never been so small, either. As the employment rate of women decreased at a slower pace, the level of employment of women still remained above the Lisbon target for 2010 (60%). In absolute figures, more women than men have jobs from Q4 2008.

Figure 2.2. **Dynamics (quarterly) of the employment rate of men and women, 2008–2009**



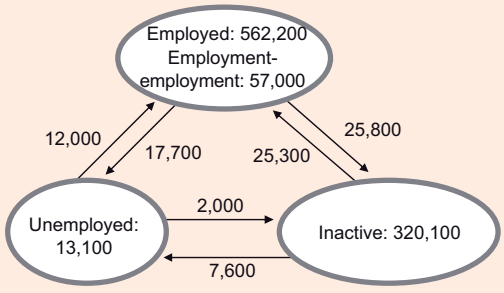
Source: Statistics Estonia, Estonian Labour Force Survey

2.2. Movement of labour force between employment statuses

The data of the Labour Force Survey enables monitoring the movement of working-age people between three employment statuses: employed, unemployed and inactive. This is done by comparing a person's employment status at the moment of the survey with the status in the same month last year. Normally, movement between labour market categories is higher during crisis periods, compared to periods of economic stability. An analysis of changes in status indicates that the current economic crisis has had a major impact on the mobility of labour force. The number of movements has never been as high as in Q4 of 2008 and during the first two quarters of 2009. The movements from employment to unemployment and from employment to inactivity were at record levels. The movement from inactivity to unemployment has increased as well. Figures 2.3 and 2.4 illustrate the changes in employment status in 2007 and 2008 and in Q2 of 2008 and 2009.

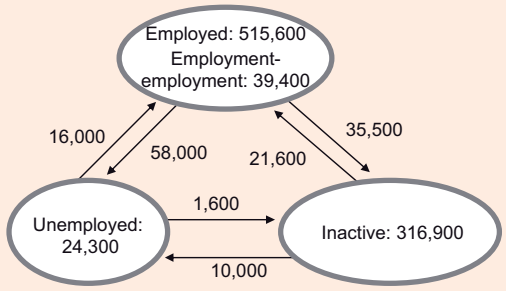
Figure 2.3 indicates that 562,200 persons remained in employment and in the same job in 2007 and 2008. 57,000 persons had changed jobs. During the year, 12,000 persons came to employment from among the unemployed and 25,300 from among the inactive. However, outflow from employment was higher (43,500 persons) and exceeded the inflow for the first time after 2003.

Figure 2.3. **Movements of labour force between employment statuses in 2007 and 2008**



Source: Statistics Estonia, Estonian Labour Force Survey

Figure 2.4. **Movements of labour force between employment statuses in Q2 of 2008 / Q2 2009**



Source: Statistics Estonia, Estonian Labour Force Survey

In 2009, the stability of the labour market has markedly decreased (Figure 2.4). When we compare Q2 of 2008 with Q2 of 2009, we see that outflow from employment exceeded inflow by a factor of 2.5 and internal movement within employment decreased noticeably as well. While the majority of previous movements have taken place within employment, the movement from employment to unemployment acquired the dominant position in Q2 2009. 58,000 persons who had been employed a year ago were now unemployed.

The movement from employment to inactivity increased significantly as well. This can be explained by the decision of many young women to use the period of economic crisis for raising children. In a period of layoffs, shortage of jobs and decreasing wages, the parental benefit constitutes a stable source of income, which helps the family to live through the difficult times. Therefore, many families have chosen to have children at this time. In comparison to Q2 in 2008, the number of persons who were on pregnancy leave, maternity leave or parental leave was higher by 8,000 persons in Q2 2009. In addition, the number of non-working pensioners increased in the first half of 2009. This leads to the conclusion that persons in retirement age, who have lost their jobs, have withdrawn from job-seeking and are living on old-age pensions.

Table 2.2. **Division of employed persons between economic activities 2007–2009 (thousand)**

	2007	2008	2008				2009	
			Q1	Q2	Q3	Q4	Q1	Q2
Total	655.3	656.5	656.5	656.6	660.5	652.6	612.1	592.6
Agriculture, forestry and fishing	30.3	25.3	25.9	24.5	26.8	24.1	22.5	24.9
Mining and quarring	5.5	6.0	5.8	6.8	6.6	4.8	5.4	7.5
Manufacturing	131.2	135.0	139.8	147.8	133.4	118.9	113.1	116.3
Electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities	10.8	8.2	9.9	10.1	10.3	11.5	11.0	8.5
Construction	82.1	81.0	81.6	85.2	82.6	74.6	63.5	55.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	86.9	92.5	94.2	85.0	88.9	101.8	91.9	74.4
Transportation and storage	52.9	49.9	45.8	51.4	51.4	51.0	52.3	52.3
Accommodation and food service activities	22.3	23.6	21.7	25.4	24.6	22.8	17.6	23.2
Information and communication	13.6	15.3	12.7	13.8	16.5	18.3	12.2	11.7
Financial and insurance activities	9.5	10.4	9.5	8.5	11.4	12.0	12.9	13.9
Real estate activities	9.7	10.2	12.6	8.7	9.5	10.0	6.6	8.7
Professional, scientific and technical activities	17.6	20.5	20.9	16.6	24.1	20.7	19.9	20.9
Administrative and support service activities	18.2	17.3	11.2	17.0	21.5	19.3	15.6	14.5
Public administration and national defence; statuatory social insurance	39.2	38.4	38.8	36.7	39.8	38.3	39.2	34.0
Education	55.0	59.9	64.3	57.5	54.5	63.2	70.8	64.4
Human health and social work activities	36.2	31.1	29.0	30.4	33.0	32.2	33.0	34.9
Arts, entertainment and recreation	17.7	14.8	18.1	12.8	13.1	15.4	12.9	16.2
Other activities	16.8	14.8	14.8	18.4	12.5	13.6	11.8	11.3

Source: Statistics Estonia, Estonian Labour Force Survey

2.3. Employment

Economic activities

The distribution of the number of employed persons between economic activities was relatively similar in 2007 and 2008, which indicates that the economic crisis did not yet affect the average indicators of 2008. However, rapid changes appear in the comparison of quarters (Table 2.2). Comparing Q2 in 2008, when the number of the employed was at its peak, with Q2 in 2009, we see that the construction sector and manufacturing suffered the most from recession, with a decrease in employment by over 60,000 persons. A small increase in employment was noticeable in finance and insurance activities and in health care. The total number employed persons dropped back to the level of the beginning of 2004.

Occupations

The wave of layoffs that started in the end of 2008 was hardest among service and sale personnel, skilled workers and craftsmen, equipment and machinery operators, and unskilled workers. This meant primarily a loss of blue-collar jobs (Table 2.3). The category of professionals was the only category with some growth, particularly among women. Comparing the employment indicators of Q2 2008 with Q2 2009, we see that the number of white-collar jobs remained almost unchanged, but the number of blue-collar jobs decreased by roughly 64,000. The number of white-collar jobs even increased among women, despite the recession. In total, 54% of women and 35% of men held white-collar jobs in 2008.

Table 2.3. **Division of employed persons between major groups of occupation 2007–2009 (thousand)**

	2007	2008	2008				2009	
			Q1	Q2	Q3	Q4	Q1	Q2
Total	655.3	656.5	656.5	656.6	660.5	652.6	612.1	592.6
white collars*	293.1	289.7	289.6	275.1	286.3	307.9	304.4	274.9
blue collars**	362.2	366.8	366.9	381.5	374.2	344.6	307.7	317.7
Men								
total	330.0	330.9	336.0	332.5	330.4	324.9	296.1	285.5
white collars*	118.2	115.3	117.6	109.0	109.4	125.2	116.4	99.7
blue collars**	211.8	215.6	218.4	223.5	221.0	199.7	179.8	185.8
Women								
total	325.4	325.6	320.5	324.1	330.2	327.6	316.0	307.1
white collars*	174.8	174.4	172.0	166.1	177.0	182.7	188.1	175.2
blue collars**	150.6	151.2	148.5	158.0	153.2	144.9	127.9	131.9

* White collar occupations: legislators, higher officials and managers; professionals; midlevel specialists and technicians; officials.
** Blue-collar occupations: service and sale personnel; skilled workers in agriculture and fisheries; skilled workers and craftsmen; equipment and machinery operators; unskilled workers; armed forces.

Source: Statistics Estonia, Estonian Labour Force Survey

Part-time work and underemployment

In parallel with the decrease in employment increased the number of employees who had to take part-time jobs due to financial difficulties of businesses. The number of part-time[13] workers started to increase in the last quarter of 2008 and this trend continued in the first half of 2009. For employees, having a part-time job is still better than losing the job and income during a period of crisis. From Q2 2008 to Q2 2009, the number of full-time workers decreased by 91,600 persons. The majority of them lost employment, but quite a lot could continue

[13] Part-time workers – workers whose usual weekly working period is under 35 hours, except for professions, which have partial employment as provided by law.

Table 2.4. **Full-time and part-time workers, 2007–2009**

	2007	2008	2008				2009	
			Q1	Q2	Q3	Q4	Q1	Q2
Total full-time and part-time workers, thousand	655.3	656.5	656.5	656.6	660.5	652.6	612.1	592.6
full-time	601.9	609.3	604.9	614.7	614.8	602.8	548.3	523.1
part-time	53.5	47.2	51.6	41.9	45.8	49.7	63.8	69.5
..underemployed	7.2	4.5	3.8	2.9	4.1	7.3	11.5	14.7
Total full-time and part-time workers, %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
full-time	91.8	92.8	92.1	93.6	93.1	92.4	89.6	88.3
part-time	8.2	7.2	7.9	6.4	6.9	7.6	10.4	11.7
..underemployed	1.1	0.7	0.6	0.4	0.6	1.1	1.9	2.5

Source: Statistics Estonia, Estonian Labour Force Survey

part-time work. The number of part-time workers increased by 27,600 persons in the same period, including a five-time increase in the number of underemployed[14] persons (from 2,900 to 14,700).

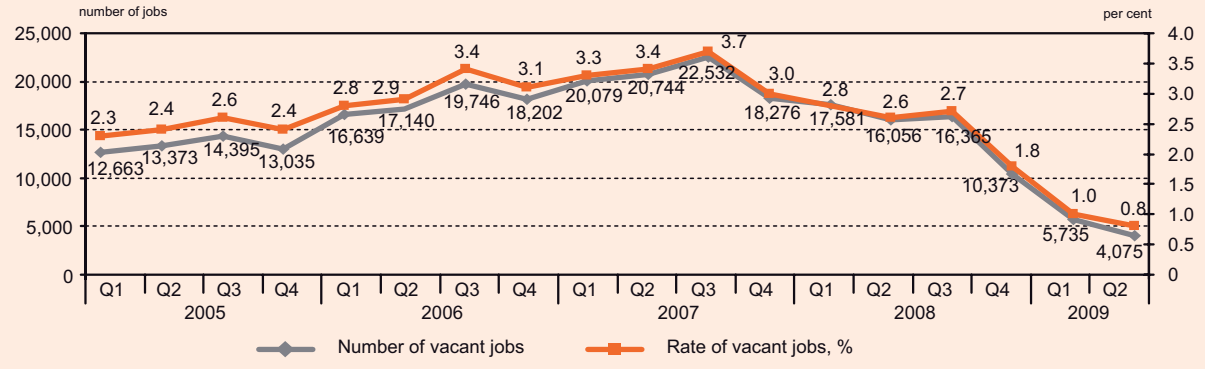
Part-time workers are mostly women, young people and older people. 4.1% of men and 10.4% of women held part-time jobs in 2008. The share of part-time workers among young women (15–24 years of age) was even as high as 19.3%.

Vacant jobs

The economic crisis and its impact on the labour market have influenced the number of jobs and vacancies in businesses and institutions. Businesses have reduced the number of jobs in order to adapt to decreased demand and to ensure efficiency of operations. According to Statistics Estonia, the number of vacant jobs started to decrease from the fourth quarter in 2007. This trend increased in the final quarter of the last year and in the first quarter of this year (Figure 2.5). In Q3 2007, there were 612,634 jobs in total and 22,532 of them were vacant, which accounted for 3.7% of all jobs. By Q2 2009, the total number of jobs had decreased to 538,669 and the number of vacant jobs had decreased to 4,075, which accounted for 0.8% of all jobs.

The recession has not affected all businesses in the same way, which is also evident in the fact that the change in the number of jobs and vacancies has been variable in different sectors. A comparison of Q2 2009 to Q2 2008 indicates that the total number of jobs has decreased by 63,659 jobs. In absolute figures, the most jobs were lost in the manufacturing where the number of jobs has decreased by 23,696, and in construction, where the decrease

Figure 2.5. **Vacant jobs 2005–2009**



Source: Statistics Estonia, survey "Job vacancies and labour turnover", database of wages and salaries and labour costs

[14] Underemployed – part-time workers who would like to work longer hours and are prepared to accept additional work immediately (within two weeks).

was 16,616 jobs. The reduction in the number of jobs in the manufacturing industry and construction accounts for 63% of all jobs that were lost during the year.

In relative terms, the decrease in the number of jobs in one year was 10.6%. The highest relative decreases in the number of jobs were registered in construction, real-estate sector and manufacturing, with 28.3%, 26.1% and 19.1%, respectively. The loss of jobs in construction and real-estate sector was caused directly by the decrease in domestic demand, while the loss of jobs in manufacturing was caused by the decreased demand in export markets.

The number of jobs increased during the year in the areas of water supply, sewerage, waste management and remediation activities, health care and social welfare, information and communication – by 1,853 jobs in total. Public administration, national defence and social insurance created 468 new jobs. It appears that, even though the demand for labour force has increased in some sectors during the recession, the increase in these sectors has been much lower than the decrease in the sectors where jobs were lost.

In absolute figures, the number of vacant jobs has decreased by 11,981 in one year. The number of vacancies has decreased by 2,733 positions in manufacturing, by 2,246 positions in public administration, national defence and statutory social insurance, and by 1,615 positions in wholesale and retail trade.

In relative terms, the number of vacant positions has decreased by 74.6% in a year, whereas the decrease was 88.3% in manufacturing, 82.4% in construction, and 82.3% in wholesale and retail trade.

In conclusion, the number of filled and vacant positions has significantly decreased in the last year as a result of the decreased demand for goods and services and the need to increase the efficiency of operations. A comparison of Q2 2009 to Q2 2008 indicates that the number of filled positions decreased by 63,659 and the number of vacant positions decreased by 11,981, whereas the steepest drops were registered in manufacturing, construction and real estate sector. The pace of decrease in the number of jobs and vacancies can be expected to slow down after the economy has adapted to the crisis and the domestic and external demand for the products of manufacturing has increased.

Hired persons and employees who left work

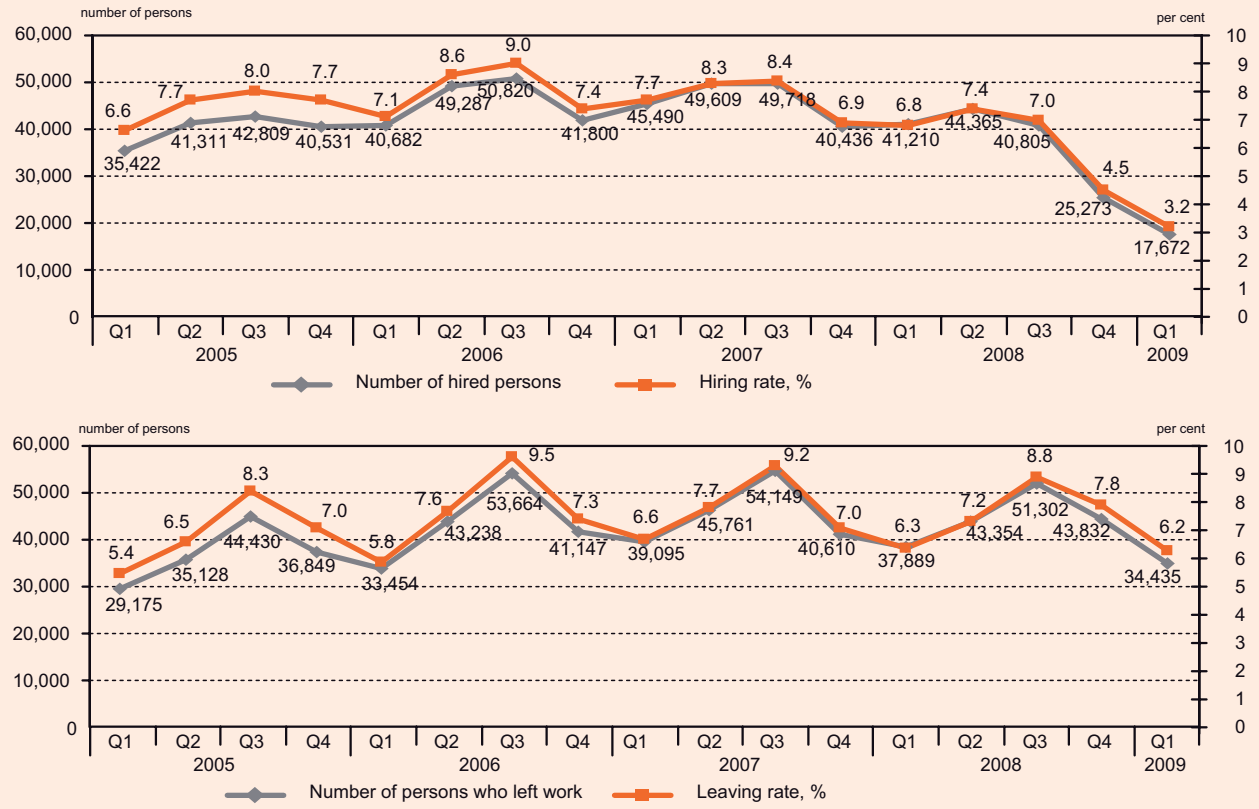
It is important to consider, in the light of the decrease in the number of jobs, the movement of people between jobs, more specifically, the number of hired employees and employees who left work. The ratio of those hired to those who left work changed significantly in the third and fourth quarter of 2008 (see Figure 2.6). In the first quarter of 2009, the number of those who left work exceeded the number of hired employees by 16,763 persons. 17,672 persons were hired in this quarter, but 34,435 persons left work.

While the hiring rate, which is the ratio of the number of hired persons to the number of filled positions, was around seven or eight per cent in previous quarters, it fell to 4.5% in the final quarter of the last year and further to 3.2% in the first quarter of this year. The leaving rate, which is the ratio of the number of employees who left work to the number of filled positions, has remained stable between six and nine per cent. Consequently, developments in the labour market in recent quarters are characterised by a significantly lower number of persons hired. Considering that the number of persons who left work has remained relatively stable, this means that the number of the unemployed and inactive has increased at the end of the last and the beginning of this year.

10,176 employees, or 30% of all those who left work, were forced to leave at the initiative of the employer. The percentage of those who left at the initiative of the employer had been around 10% in previous quarters, but this index increased by almost 20 percentage points by Q1 in 2009. Once again, we see that businesses and institutions have reduced the size of workforce due to decreased demand and uncertainty.

As the economic crisis has affected different sectors differently and is not at the same stage of progres-

Figure 2.6. **Hired persons and employees who left work 2005-2008**



Source: Statistics Estonia, survey "Job vacancies and labour turnover", database of wages and salaries and labour costs

Table 2.5. **Hired persons and employees who left work by economic activities in Q4 of 2008**

	Number of hired persons	Hiring rate, %	Number of persons who left work	Leaving rate, %
Total	25,273	4.5	43,832	7.8
Agriculture, forestry and fishing	640	4.5	997	7.0
Mining and quarring	160	3.2	289	5.8
Manufacturing	4,031	3.5	9,848	8.6
Electricity, gas, steam and air conditioning supply	132	2.1	188	3.0
Water supply; sewerage, waste management and remediation activities	107	3.3	174	5.3
Construction	2,625	5.2	7,483	15.0
Wholesale and retail trade	4,987	5.6	7,248	8.1
Transportation and storage	1,774	4.7	3,464	9.1
Accommodation and food service activities	1,184	6.8	1,947	11.2
Information and communication	871	5.9	1,109	7.5
Financial and insurance activities	337	3.3	496	4.8
Real estate activities	233	2.6	632	7.0
Professional, scientific and technical activities	1,089	5.3	1,531	7.5
Administrative and support service activities	2,562	9.9	3,602	13.9
Public administration and national defence; statutory social insurance	960	2.7	1,236	3.5
Education	1,551	2.7	1,413	2.4
Human health and social work activities	1,353	4.0	1,145	3.4
Arts, entertainment and recreation	421	3.4	677	5.4
Other service activities	256	5.5	354	7.6

Source: Statistics Estonia, survey "Job vacancies and labour turnover", database of wages and salaries and labour costs

sion in all sectors, we see that labour turnover is also variable between sectors (Table 2.5).

An analysis of sectors indicates that the highest leaving rates, i.e., the ratios of those who left to filled positions, were registered in Q4 2008 in construction (15%), administrative and support services (13.9%), accommodation and food service (11.2%).

Looking at the absolute number of persons who left work, we see that the recession has had the strongest impact on manufacturing with 9,848 leavers, construction with 7,483 leavers, and wholesale and retail trade with 7,248 leavers.

The hiring rate, or the ratio of hired persons to filled positions, in the final quarter of 2008 was highest, around 10%, in administrative and support services. This sector also had the highest labour turnover, because 14% of employees in this sector left during the year and 10% were hired.

Looking at the absolute number of hired persons by sectors, we see that the most people were hired in manufacturing and wholesale and retail trade, with 4,031 and 4,987 appointments, respectively.

The changes in the number of jobs and employees in the final quarters of 2008 and the changes in economy enable to project that the trend of decrease in the number of jobs and vacancies has continued in the beginning of 2009 and the number of employees who left work remains higher than the number of hired persons, which contributes to the increase in unemployment and inactivity in the labour market. While manufacturing and construction were the main sectors where people left work in the first quarter of 2008, it could be expected that the rate of decrease in these sectors will stabilise in the following quarters.

2.4. Wages and salaries

The following section describes, based on the Statistics Estonia survey of wages and salaries, the changes in average wages after the start of the constriction phase of the economic cycle.

While the beginning and middle of this decade were characterised by an increase in average gross wages on the background of economic growth, this increase slowed down in 2008 and stopped in Q1 2009 (Table 2.6).

In 2008, the average gross monthly wages amounted to EEK 12,912 and the gross hourly wages to EEK 77.52. In comparison to the previous year, the average gross monthly wages increased by 13.9% and the hourly wages increased by 15.3%.

Table 2.6. **Average gross monthly wages 2005–2009 (EEK)**

	2005	2006	2007	2008	2009
Year	8,073	9,407	11,336	12,912	..
Q1	7,427	8,591	10,322	12,337	12,147
Q2	8,291	9,531	11,549	13,306	12,716
Q3	7,786	9,068	10,899	12,512	..
Q4	8,690	10,212	12,270	13,117	..

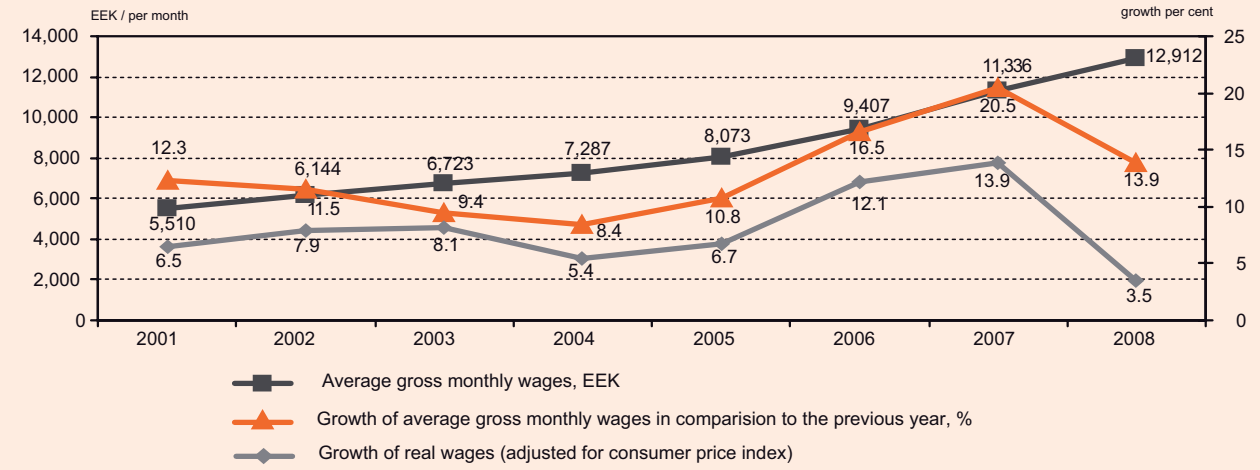
Source: Statistics Estonia, database of salary statistics

In the environment of economic growth, which characterised the beginning and middle of the decade, the nominal wages increased by a factor of 2.34 from 2001 to 2008. The rate of wages increase accelerated in 2006 and 2007, which where the years of acute shortage of labour and heating of economy. Gross monthly wages increased in these two years by 16.5% and 20.5%, respectively, compared to the previous year.

The pace of increase in nominal wages slowed down in 2008 and, taking into account inflation, the year was characterised by the decade's lowest increase in gross wages adjusted for consumer price index. The consumer price index increased in 2008 by 10.4% and, consequently, the real wages increased only by 3.5% in that year.

Due to recession, the gross wages indicators changed significantly at the end of 2008 and the beginning of 2009 and growth is being replaced by a steep drop. The average gross monthly wages in Q1 2009 decreased by 1.5% in comparison to Q1 2008, which is the first instance of decrease in gross wages in a comparison of same quarters in different years since 1993. Even though the gross monthly wages increased by EEK 569 in Q2 2009 in comparison

Figure 2.7. **Changes in gross monthly wages 2001–2008**



Source: Statistics Estonia, database of salary statistics

to Q1, the wages remained 4.4% lower than in the second quarter of the last year.

In conclusion, while the beginning and middle of the decade were characterised by economic growth and an increased demand for labour, which resulted in a significant increase in wages and salaries, the most recent quarters are characterised by a fall in economic activities and in the demand for labour, which has halted and reversed the increase in wages.

Legal form of enterprises and institutions

An analysis of the average gross monthly wages by the legal form of enterprises and institutions indicates that the rate of wages increase in 2008 was highest in local government and state institutions, with increases by 20.2% and 17.1%, respectively. The wages of employees of foreign enterprises in private law increased by 15.3% and the wages of employees of Estonian enterprises in private law increased by 10.9%.

While the indicators of wages increase in foreign enterprises in private law were at an average level in 2008, they paid the highest gross monthly wages in absolute figures, i.e., EEK 15,698 on the average. The employees of state institutions earned only a little less than that – EEK 15,468 on the average. The level of wages was relatively similar for the employees of Estonian enterprises in private law and in local governments, with respective average gross monthly wages being at EEK 11,561 and EEK 11,164.

Even though the employees of state institutions and foreign enterprises in private law earned more than the employees of local governments and Estonian enterprises in private law, this does not mean that the same work (such as financial management) is remunerated differently in different types of enterprises, because institutions and enterprises differ in terms of economic activities and the profiles of skills and knowledge of the employees. An answer to the question, which enterprises and institutions pay higher or lower remuneration for the same work, could be found only through a more complex and thorough statistical model and this is not the objective of the current statistical overview.

Economic activity of enterprises and institutions

The following is an examination of the average gross monthly wages by the economic activity of the employer (Table 2.7).

The table indicates that, in 2008, employees received the highest gross monthly wages in financial activities, public administration and national defence, statutory social insurance, and electricity, gas and water supply. The lowest average gross monthly wages were registered in hotels and restaurants, agriculture, hunting and fishing.

Table 2.7. **Average gross monthly wages by economic activities, 2008**

	Average gross monthly wages, EEK	Growth of average gross monthly wages in comparison to 2007, %
Average of the economic activities	12,912	13.9
Agriculture, hunting and the fields servicing them	9,938	15.4
Forestry, logging, and the fields servicing them	13,678	24.2
Fishing	10,419	13.1
Mining and quarring	14,988	16.0
Manufacturing	11,935	12.1
Electricity, gas and water supply	15,044	19.8
Construction	14,029	7.7
Retail and wholesale business; repairing motor vehicles and household goods	12,314	12.3
Hotels and restaurants	8,226	15.1
Transportation, storage and communications	13,696	9.2
Financial mediation	23,899	12.7
Real-estate, renting and business activities	13,965	14.0
Public administration and national defence; statutory social insurance	16,600	16.1
Education	11,319	20.5
Human health and social work activities	13,258	20.0
Other community, social and personal services	11,035	15.5

Source: Statistics Estonia, database of salary statistics

Table 2.8. **Increase in average gross monthly wages compared to the previous year, by economic activities, 2008–2009.**

	2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2
Total	19.5	15.2	14.8	6.9	–1.5	–4.4
Agriculture, forestry and fishing	24.5	22.2	20.8	5.5	–0.2	–11.2
Mining and quarring	29.9	18.3	20.5	0.3	–0.5	–16.3
Manufacturing	16.4	12.5	12.4	3.1	–3.6	–6.7
Electricity, gas, steam and air conditioning supply	21.1	13.9	22.8	11.6	14.0	8.5
Water supply; sewerage, waste management and remediation activities	17.2	24.3	19.0	14.6	7.4	–7.6
Construction	17.4	10.5	8.1	–0.5	–10.2	–15.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	18.7	15.7	12.0	7.6	–2.8	–6.0
Transportation and storage	11.2	12.9	13.0	–0.5	0.1	–4.5
Accommodation and food service activities	20.6	17.6	13.1	7.4	0.8	–2.0
Information and communication	19.8	16.3	26.8	16.7	2.1	–2.0
Financial and insurance activities	15.6	9.8	14.0	5.6	–10.2	–0.1
Real estate activities	0.9	–9.4	–1.8	–0.3	4.6	6.0
Professional, scientific and technical activities	18.0	15.7	9.0	7.0	–6.7	–6.0
Administrative and support service activities	20.9	17.9	23.8	7.0	2.3	–2.2
Public administration and national defence; statutory social insurance	21.4	16.4	20.7	6.9	1.8	–4.7
Education	23.8	21.4	21.5	15.9	2.8	0.2
Human health and social work activities	34.4	16.9	18.3	13.6	1.1	–1.2
Arts, entertainment and recreation	16.3	12.6	13.1	8.9	–4.7	–5.1
Other service activities	15.9	14.8	22.3	11.2	0.9	–3.4

Source: Statistics Estonia, database of salary statistics

Comparing the rates of increase in average gross wages in all sectors, the three sectors with the highest rates of wages increase were (1) forestry and logging, (2) education and (3) health, where the increase exceeded 20%. The lowest increases, less than 10%, were registered in construction and transportation, storage and communication.

It was stated above that the rate of increase in wages slowed down at the end of 2008 and the beginning of this year, and has decreased by 4.4% in Q2 2009. However, the changes have not been uniform across all sectors of economic activity (Table 2.8).

The field of real estate activities was the first, in Q2 2008, where wages started to decrease, but the average gross monthly wages in this sector have been increasing in the first two quarters of this year. The following quarters brought the decrease in average wages to many other sectors, so that in Q2 2009, the only sectors with increasing wages included electricity, gas, steam and air conditioning supply (8.5%), real estate (6%), and education (0.2%). The increase in wages in these sectors could be explained rather by the loss of jobs and employees with lower gross monthly wages, which increased the average wages indicator, than by any actual increase in the remuneration of employees.

The decrease in gross monthly wages was smallest in mining and quarrying; construction; and agriculture, forestry and fishing, with 16.3%, 15% and 11.2%, respectively. In conclusion, the impact of the recession is evident in the fact that the period when wages could increase by more than 10% in one year is now behind us and we can expect that the average gross wages will continue to decrease in this year.

Increasing problems with the payment of wages are also a characteristic feature of tense employment relations and their impact on remuneration during the recession. The statistics of the work of the labour dispute committees of the Labour Inspectorate indicate that, while employees filed a total of 1,433 claims with the labour dispute committees in the first quarter of 2008, including 583 claims concerning unpaid wages or final settlement, the number of claims filed by employees in Q1 2009 increased to 2,622 claims, including 1,627 claims concerning unpaid wages or final settlement. Similarly, the second quarter was characterised by increasing problems with the payment of wages: employees filed a total of 3,807 claims with the labour dispute committees, including 949 claims concerning unpaid wages during employment and 926 claims concerning unpaid final settlements. Even though the number of applications and claims filed with the labour dispute committees of the Labour Inspectorate does not characterise the remuneration problems of all employees, the aforementioned data indicates that problems with the payment of remuneration have become more frequent during the recession, creating tensions between employees and employers.

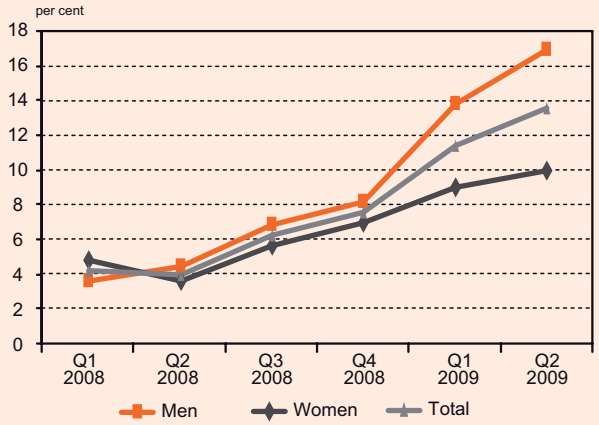
In conclusion, the increase in wages and salaries has halted in this year due to the adverse situation in national economy and labour market. While the gross monthly wages still increased on the average by 13.9% in 2008, rising to EEK 12,912, a decrease in gross monthly wages by 1.4% was registered in the first quarter of this year and the decrease in the second quarter, in comparison to Q2 2008, was 4.4%. The highest rates of decrease in wages were registered in construction, mining and quarrying, agriculture, and financial and insurance activities, which are also the same sectors that were hit hardest by the recession. The decrease in wages or deceleration in the growth of wages is expected to continue in the coming quarters in all sectors, because the entire economy will adapt to the new situation. In the context of stagnant and decreasing wages, there are also more instances when enterprises and institutions fail to pay remuneration due to poor financial results.

2.5. Unemployment

According to the Labour Force Survey, there were on the average 38,400 unemployed persons in Estonia in 2008. In comparison to 2007, the number of the unemployed increased by 6,400 persons. While unemployment still decreased in the first half of 2008, even reaching the level of 1992, the impact of the economic crisis became evident in unemployment indicators from the third quarter and the number of unemployed persons started to increase

at an unprecedented rate. Among all countries of the European Union, Estonia has experienced one of the fastest increases in unemployment[15].

Figure 2.8. **Dynamics (quarterly) of the unemployment rate of men and women, 2008–2009**



Source: Statistics Estonia, Estonian Labour Force Survey

Comparing the unemployment in Q2 2008 with Q2 2009, we see that the number of the unemployed increased roughly by 65,000 persons, or over three times. Young people and men were the principal sufferers from the recession. The unemployment rate among people over 25 years of age is lower than the Estonian average. Unemployment indicators are lowest among older people who often stop seeking a job after they reach retirement age. In the comparison of men and women in Estonia, the unemployment rate of men has been usually higher than that of women (unlike in most of the other countries of the EU). The increase in the unemployment rate of men was particularly fast in the first half of 2009 when the number of unemployed men almost quadrupled in 12 months.

The increasing unemployment did not leave any regions of Estonia intact. The highest increases in unemployment were observed in the same regions where the level of unemployment had been lowest during the period 2007–2008, i.e., Western Estonia and Northern Estonia. The fast increase in unemployment also reduced the regional differences in unemployment. In 2008, the level of unemployment in one region could be over three times higher than in another region. In 2009, unemployment was above 10% all regions and the differences between regions decreased significantly. The highest level was recorded in North-Eastern Estonia, which has always had high unemployment, but the lowest level of unemployment was observed in Southern Estonia, which has previously also been a region of high unemployment. However, Southern Estonia is characterised by the highest level of inactivity, which indicates that many people who have lost their jobs have given up job-seeking and have moved into inactivity. In the comparison of

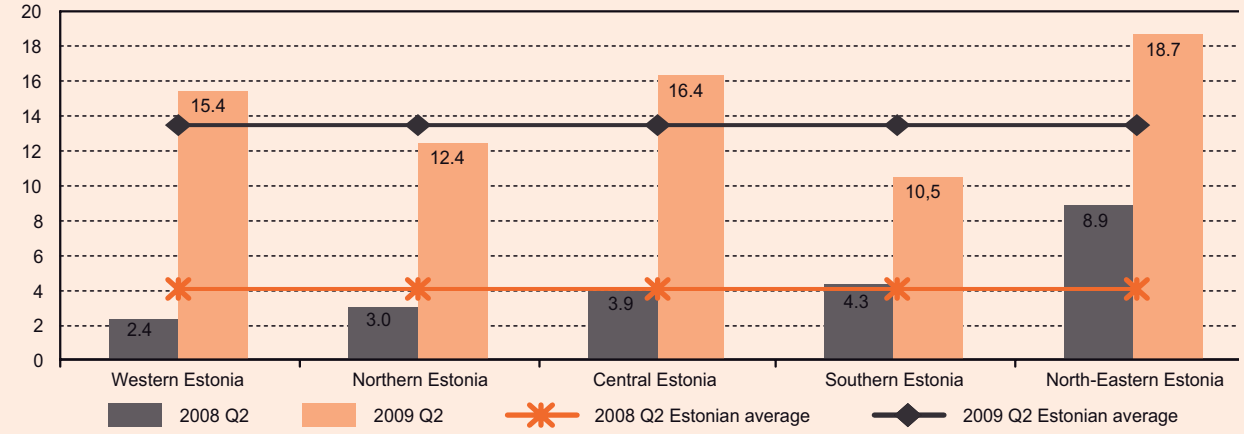
Table 2.9. **Unemployment rate by sex and age, 2008–2009**

	2007	2008	2008				2009	
			Q1	Q2	Q3	Q4	Q1	Q2
Unemployed, thousand								
total	32.0	38.4	28.7	27.3	43.9	53.5	79.0	92.2
men	18.9	20.2	12.5	15.2	24.1	29.1	47.6	58.1
women	13.1	18.1	16.1	12.1	19.8	24.5	31.4	34.1
Unemployment rate, %								
total	4.7	5.5	4.2	4.0	6.2	7.6	11.4	13.5
men	5.4	5.8	3.6	4.4	6.8	8.2	13.8	16.9
women	3.9	5.3	4.8	3.6	5.6	6.9	9.0	10.0
Unemployment rate by age group, %								
15–24	10.0	12.0	7.5	8.9	14.7	15.8	24.5	27.0
25–49	4.3	4.7	3.7	3.6	5.1	6.5	11.2	12.2
50–74	3.2	4.4	3.9	2.9	4.8	6.1	6.9	10.9

Source: Statistics Estonia, Estonian Labour Force Survey

[15] European Commission, EU employment situation and social outlook. Monthly monitor, September 2009. http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=593&furtherNews=yes

Figure 2.9. **Unemployment rate by regions, Q2 2008 and Q2 2009**



Source: Statistics Estonia, Estonian Labour Force Survey

counties, relatively higher levels of unemployment were registered in 2008 in Ida-Viru County, Valga County and Põlva County.

2.6. Labour market risk groups

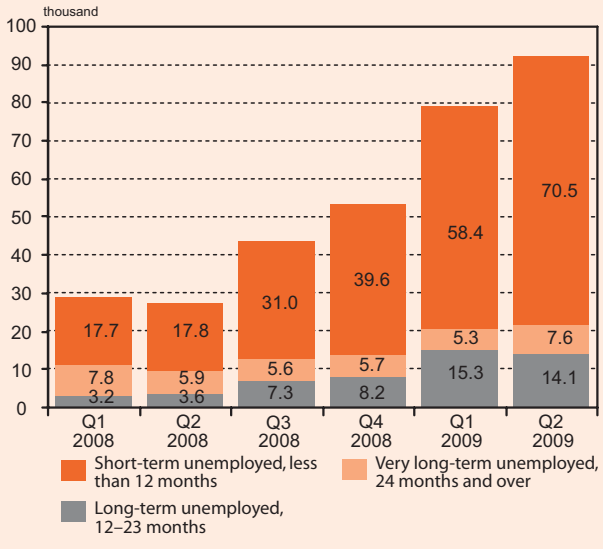
In the following, we will describe the three risk groups of the labour market, which are under special attention in the European Employment Strategy: the long-term unemployed, young people, and older people. They all face higher or lower barriers when entering the labour market and this should be taken into account by policymakers as they develop employment measures. Therefore, it is important to be familiar with the size, structure and dynamics of the target group. In addition to the aforementioned risk groups, persons who do not speak Estonian also experience difficulties in the Estonian labour market. The issues of employment and unemployment of non-Estonians are discussed in greater detail in the fifth chapter of this collection.

Long-term unemployed

The long-term unemployed are persons who have looked for work for a year or more. The number of the long-term unemployed in Estonia in 2008 was 11,800, including 7,200 men and 4,700 women. This was the lowest level of the past 16 years. In comparison to 2007, the number of the long-term unemployed decreased by 4,000 persons.

Both short-term and long-term unemployment have been decreasing since 2001. Generally, the number of the long-term unemployed decreases at a slower rate, because their placement is often complicated due to various reasons (obsolete skills, low level of education in many cases, bias of employers in recruitment, loss of confidence, etc.). The recent years of economic growth had a positive impact on employment of the long-term unemployed, because it was easier to find employment under the conditions of labour shortage.

Figure 2.10. **Dynamics of short- and long-term unemployment, 2008–2009 (quarterly)**

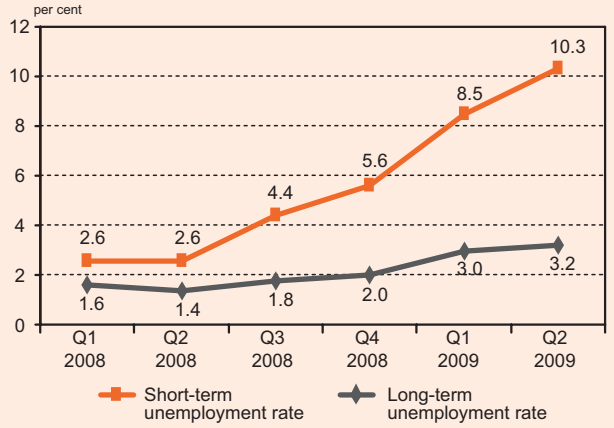


Source: Statistics Estonia, Estonian Labour Force Survey

The increase in unemployment from the end of 2008 had a stronger impact on the number of the short-term unemployed than on the number of the long-term unemployed. However, considering that the level of unemployment is expected to increase, we can assume that long-term unemployment will be a major problem in the coming years. Indeed, the results from the first half of 2009 indicate that the number of the long-term unemployed has doubled and this growth trend is likely to continue.

Long-term unemployment is characterised by the long-term unemployment rate[16], which is shown on Figure 2.11. The Figure indicates that the rate of short-term unemployment has increased four times and the rate of long-term unemployment has increased two times from Q2 2008 to Q2 2009.

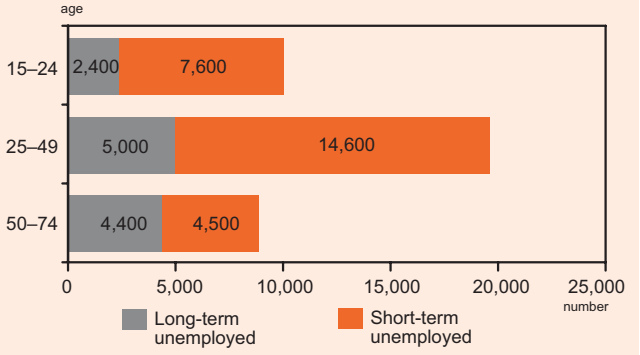
Figure 2.11. **Short- and long-term unemployment rates, 2008–2009 (quarterly)**



Source: Statistics Estonia, Estonian Labour Force Survey

In the comparison of age groups, the job-seeking period of younger people is generally shorter than that of the older people. This also applies to Estonia. For example, among young people (aged 15–24), the long-term unemployed made up 24%. The respective number was 26% among people aged 25–49 and 49% among those over 50 years of age. The period of job-seeking is especially long among older people. The majority (70%) of the long-term unemployed of that age group have been searching for work for over two years. Numerically, the majority of the long-term unemployed (57%) are aged 25–49, i.e., they are in the best working age (see Figure 2.12).

Figure 2.12. **Age structure of the short- and long-term unemployed, 2008**



Source: Statistics Estonia, Estonian Labour Force Survey

The duration of job-seeking has usually been much longer among non-Estonians than among Estonians, but this difference has been decreasing recently (see Figure 2.13). In 2008, the percentage of the unemployed who had searched for work for over a year was 29% among Estonians and 33% among non-Estonians. Long-term unemployment of non-Estonians has fallen at a significantly faster pace than that of Estonians. Certainly, a part has been played by the upturn in economy and creation of jobs in North-Eastern Estonia. In that region, the long-term unemployment rate is the highest (4.1% in 2008) and, therefore, the decline in long-term unemployment primarily depends on the development of economy in North-Eastern Estonia.

Long-term unemployment should be viewed along with discouragement[17], as the long-term unemployed often give up the search for work and become inactive. Therefore, a fall in long-term unemployment does not always mean an improvement of the situation of the labour market. Figure 2.13 shows that Estonians have a stronger tendency to give up the search for work and to become discouraged in the case of losing their job than non-Estonians. This means that they fall out of the labour force, which is much more damaging to the labour market. While Estonians make up 47% of the long-term unemployed, they constitute as many as 67% of the discouraged persons.

[16] Long-term unemployment rate – the percentage of the long-term unemployed in the labour force.
[17] Discouraged – persons who have given up searching for work because they have lost hope of finding work.

Figure 2.13. **Long-term unemployed and discouraged persons by nationality, 2004–2008**

Source: Statistics Estonia, Estonian Labour Force Survey

Table 2.10. **Employed, short-term unemployed and long-term unemployed by ISCED levels of education[18], 2003 and 2008 (per cent)**

	Employed		Unemployed		Short-term unemployed		Long-term unemployed		Unemployment rate %	
	2003	2008	2003	2008	2003	2008	2003	2008	2003	2008
I level	10.0	10.3	18.3	24.0	17.0	22.2	19.0	28.3	16.9	12.0
II level	58.0	55.0	61.6	58.0	61.0	58.5	63.0	56.7	10.6	5.8
III level	32.0	34.7	20.1	18.0	22.0	19.3	18.0	14.9	6.5	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	10.0	5.5

Source: Statistics Estonia, Estonian Labour Force Survey

An important factor, which affects the duration of job-seeking, is the level of education. Usually the unemployment rate is higher among the unemployed with lower levels of education. Individuals with a higher level of education and special skills search for work with greater intensity, are more attractive for employers, and find a suitable work over a shorter period of time. Significant differences can be seen when comparing the levels of education of the long-term unemployed and the employed. There are almost three times more people with basic education (28%) among the long-term unemployed than among the employed (10%) and nearly two times less people with higher education (15% and 35%, respectively). People who have searched for a job for a long time also have a lower level of education than those with a shorter duration of search. This indicates that a low level education and the consequent lack of special skills is a main barrier that prevents escape from unemployment.

Table 2.10 indicates that, in the five years, the level of education has increased among the employed and decreased among the unemployed. This enables to conclude that finding a job was easier for people with better education and skills during the years of economic growth.

Young people

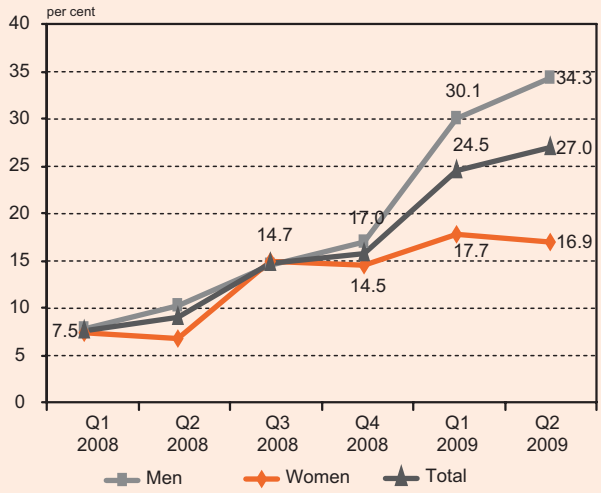
In 2008, the total number of young people (age group 15–24) in Estonia was 203,500 and the majority of them (59%) were inactive; 36% were employed and 5% were unemployed. Comparing with 2007, the number of employed and unemployed

[18] First level – primary education, basic education, vocational education for young people without basic education.
Second level – general secondary education, vocational secondary education after basic education, secondary specialised education after basic education, vocational education after basic education, vocational secondary education after secondary education.
Third level – secondary specialised education after secondary education, professional higher education, Bachelor's, Master's or Doctoral level degree.

young people increased in 2008, while the number of the inactive decreased. Like in the previous year, 89% of the inactive were engaged in studies. The second major reason for inactivity was pregnancy, maternal or parental leave (4.5%) and the third reason was illness or disability, which prevented employment (2.2%).

The employment rate of young people has grown continually from 2005. In comparison to 2004, the employment rate of young people was even higher by one third in 2008. A setback arrived in the first half of 2009, when the employment rate fell back to the level of 2005. The unemployment rate of young people, which had been decreasing for three years in a row, started to increase again in the second half of 2008. At the end of the year, the unemployment rate of young people was 15.8%, which was over two times higher than a year before. The increase continued at an even higher pace in the beginning of 2009 and the unemployment rate of young people in Q2 was already 27%. Numerically, the number of the young unemployed increased by 15,000 persons in one and half years, including roughly 12,000 men. The increase of unemployment rate among young men was unprecedented – from around 8% to 34%. While the level of unemployment among young men and women was still equal at the beginning of 2008, the rate of unemployment of men was twice as high as that of women in Q2 2009 (see Figure 2.14).

Figure 2.14. **Unemployment rate among age group 15–24 by sex, 2008–2009 (quarterly)**



Source: Statistics Estonia, Estonian Labour Force Survey

Table 2.11. **Employment status in the age group 15–24 by sex, 2007–2009**

	2007	2008	2008				2009	
			Q1	Q2	Q3	Q4	Q1	Q2
15–24								
Total	207.3	203.5	203.5	203.5	203.5	203.5	196.3	196.3
..employed, thousand	70.9	73.1	71.6	69.1	75.6	76.2	60.0	56.1
..unemployed, thousand	7.9	10.0	5.8	6.7	13	14.3	19.5	20.8
inactive, thousand	128.5	120.4	126	127.7	114.9	113	116.9	119.4
activity rate, %	38.0	40.8	38.1	37.2	43.5	44.5	40.5	39.2
employment rate, %	34.2	35.9	35.2	33.9	37.1	37.4	30.5	28.6
unemployment rate, %	10.0	12.0	7.5	8.9	14.7	15.8	24.5	27.0
Men	105.8	103.9	103.9	103.9	103.9	103.9	100.3	100.3
..employed, thousand	40.4	40.0	40.2	39.0	41.4	39.5	30.5	29.3
..unemployed, thousand	5.6	5.7	..	..	7.0	8.1	13.1	15.3
inactive, thousand	59.7	58.1	60.3	60.4	55.5	56.3	56.7	55.7
activity rate, %	43.5	44.1	41.9	41.9	46.6	45.8	43.5	44.5
employment rate, %	38.2	38.5	38.7	37.5	39.9	38.0	30.4	29.2
unemployment rate, %	12.1	12.6	..	..	14.5	17.0	30.1	34.3
Women	101.6	99.6	99.6	99.6	99.6	99.6	96.0	96.0
..employed, thousand	30.5	33.1	31.4	30.1	34.2	36.7	29.5	26.8
..unemployed, thousand	2.3	4.2	..	..	6.0	6.2	6.3	5.4
inactive, thousand	68.8	62.3	65.7	67.3	59.4	56.7	60.1	63.7
activity rate, %	32.3	37.5	34.0	32.4	40.4	43.0	37.3	33.6
employment rate, %	30.0	33.2	31.5	30.2	34.3	36.8	30.7	27.9
unemployment rate, %	7.1	11.3	..	..	15.0	14.5	17.7	16.9

Source: Statistics Estonia, Estonian Labour Force Survey

Although the unemployment rate among young people is high, most young people prefer to search for work without the intermediation of the Labour Market Board (from 1 May 2009, Estonian Unemployment Insurance Fund). Only 11% of unemployed young people turned to the Labour Market Board in order to find a job in 2007; 20% did so in 2008. Considering the shortage of vacancies and problems with coping, it can be expected that more young people will register their unemployment officially in 2009. While educated and active young people have not experienced problems with finding a job in previous years, this is no longer the case even for fresh university graduates under the circumstances of economic crisis. The situation will be complicated by the fact that, in the coming years, when the demand for labour will be at a low point, the large generation of young people who were born during the Singing Revolution will arrive in the labour market.

Older people

The risk group of older people includes persons from 55 to 64 years of age. It is a risk group, because finding a new job is much more difficult for the older people who have been dismissed from employment. In the European Union, much attention is given to promoting the employment of older people, because, due to the ageing of the population, the size of working age population is decreasing and the percentage of people aged over 65 increases. Therefore, it is important that people preserve their capacity and desire for work in older age. The European Union has set a goal to raise the employment rate of older people to 50% by 2010. Estonia reached that goal already in 2002 and was second behind Sweden in the ranking of countries. The high employment rate of older people is reflected in the relatively high average exit age from the labour force (62.5 years in 2007), which surpasses the average of the EU (61.2 years).

According to Statistics Estonia, the employment rate of older people in Estonia was 62.2%; 64.9% among men and 60.1% among women. In comparison to 2007, the employment rate of older people increased by 2.7 percentage points. The increase was caused primarily by the increase in the employment of men.

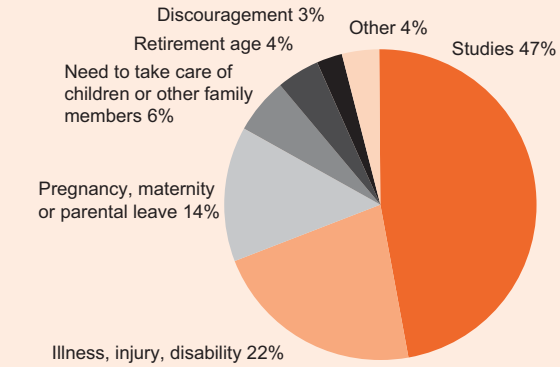
Table 2.12. **Employment status in the age group 55–64, 2007–2009**

	2007	2008	2008				2009	
			Q1	Q2	Q3	Q4	Q1	Q2
55–64								
Total	148.3	150.2	150.2	150.2	150.2	150.2	154.3	153.8
labour force, thousand	91.4	97.4	95.2	95.2	96.5	102.9	103.7	102.2
..employed, thousand	88.3	93.4	92.2	93.3	92.8	95.4	96.6	94.2
..unemployed, thousand	3.2	4.0	..	..	..	7.5	7.1	8.1
inactive, thousand	56.8	52.8	55.0	55.1	53.8	47.3	50.6	51.6
activity rate, %	61.7	64.9	63.4	63.3	64.2	68.5	67.2	66.5
employment rate, %	59.5	62.2	61.4	62.1	61.8	63.5	62.6	61.2
unemployment rate, %	3.5	4.1	..	..	..	7.3	6.8	7.9
Men	63.9	64.7	64.7	64.7	64.7	64.7	66.4	65.9
labour force, thousand	40.1	44.3	44.2	42.2	43.7	47.2	45.2	44.4
..employed, thousand	37.4	42.0	42.5	40.8	41.8	42.9	42.3	41.4
inactive, thousand	23.8	20.4	20.5	22.5	21.0	17.5	21.2	21.5
activity rate, %	58.6	64.9	68.3	65.3	67.5	73.0	68.1	67.4
employment rate, %	6.8	5.2	65.7	63.1	64.6	66.3	63.6	62.8
Women	84.4	85.5	85.5	85.5	85.5	85.5	87.9	87.9
labour force, thousand	51.3	53.1	51.0	52.9	52.8	55.7	58.5	57.8
..employed, thousand	50.8	51.4	49.7	52.5	51.0	52.4	54.4	52.8
inactive, thousand	33.1	32.4	34.5	32.6	32.7	29.9	29.4	30.1
activity rate, %	60.8	62.1	59.7	61.9	61.8	65.1	66.6	65.8
employment rate, %	60.3	60.1	58.1	61.4	59.7	61.3	61.9	60.1

Source: Statistics Estonia, Estonian Labour Force Survey

An examination of the impact of the economic crisis on the employment of older people indicates that no major changes have taken place. The number of employed men and women has even increased slightly, even though in comparison to the second quarter in 2008, the rate decreased by 0.9 percentage points in Q2 2009. This can be explained by the increasing percentage of older people in population in 2009. The number of employed and unemployed persons in this age group has increased, while inactivity has decreased. The unemployment rate of older people has always been lower than the average unemployment rate in Estonia. There were less than 2,000 unemployed persons in this group in Q2 2008. The number of the unemployed in this age group quadrupled in one year and the unemployment rate rose to 7.9%.

Figure **2.15. Reasons for inactivity in 2008 (age from 16 years to retirement age)**



Source: Statistics Estonia, Estonian Labour Force Survey

The people with higher level of education are more active. Higher level of education generally also means higher employment rates. For example, in 2008, the employment rate was 38% among older people with basic education, but 80% among older people with higher education. As many as 84% of men with higher education were employed at that age. Comparing with 2007, the employment rate of older people with higher education was the category with the largest increase.

2.7. Inactivity

Inactive are persons of working age who are not employed and are not looking for a job. In 2008, there were 198,000 inactive persons in Estonia in the age group from 16 years to retirement age. Inactive persons constitute an important reserve of labour and, therefore, it is important to analyse why people become inactive. There are many reasons why people do not work and they are largely dependent on sex and age. Studies, health and parental leave are the dominant reason among people of working age. Discouragement is distinguished as a separate reason. Discouraged persons would like to work, but have given up the search for a job. The number of discouraged persons reached its peak immediately after the last economic crisis in 2001. Thereafter, the number of discouraged persons started to decrease and fell to the level of 5,500 persons in 2008. Even though the number increased somewhat in 2009 (to 6,900 persons), it is still roughly three times lower than in 2001. Like unemployment, discouragement is more common among men.

Comparing with 2007, studies remain the main reason for inactivity, but their relative importance has decreased by three percentage points. Inactivity due to illness and parental leave has increased by one percentage points. The increase in the birth rate is reflected in the reasons for inactivity as well, especially in 2009. It can be assumed that, during the continuing recession, when finding a job is difficult, particularly for young people, the number of people who continue their studies will grow and the importance of studies as the reason for inactivity will increase. The number of persons on parental leave shows an increasing trend as well.

In conclusion, we saw that the economic crisis has had a radical influence on the Estonian labour market. The employment rate, which had been growing since 2001, dropped back to the level of 2004 in six months. The number of the unemployed more than tripled in one year, reaching the level of the previous economic crisis, the Russian crisis of 2000. According to projections, the employment rate is expected to decrease further in 2010, leading increased unemployment. It is probable that Estonia's labour market will face the highest unemployment of all times.

3. Registered unemployment and labour market policy

Kadi Siimer

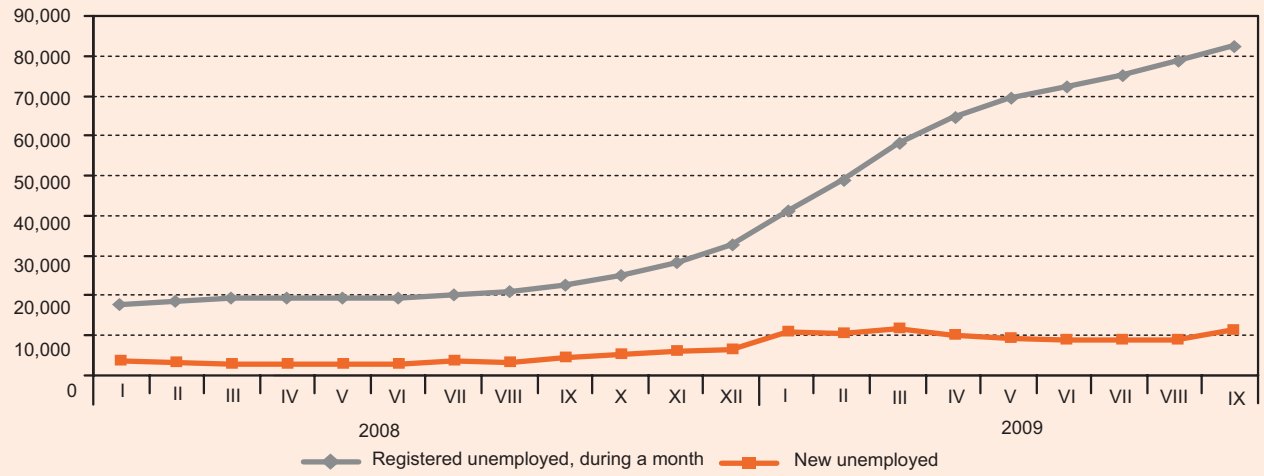
The second half of 2008 marked the start of changes in Estonian labour market. Firstly, the complicated situation in global economy led to a sudden rise in unemployment. Secondly, the Estonian Unemployment Insurance Fund (EUIF) took over, in May 2009, the responsibilities of the Labour Market Board, thus becoming the primary implementer of labour market policy in Estonia. In addition to its previous function, administration of unemployment insurance, the Unemployment Insurance Fund was charged, as of 1 May 2009, with the task of helping job-seekers back to employment as quickly as possible through various labour market measures[19].

The following part provides an overview of the unemployed persons registered with the Unemployment Insurance Fund; the provision of services, allowances and benefits; placements; and various risk groups of the unemployed. There is also information on the expenditure on the labour market policy, on the collective termination of employment contracts and the use of part-time work or holidays with partial pay, according to the information of the Labour Inspectorate.

3.1. Registered unemployment

According to Eurostat, Estonia was among the top four EU Member States by unemployment indicators by the end of the first half of 2009[20]. Like unemployment in general[21], registered unemployment started to increase rapidly from the second half of

Figure 3.1. **Registered unemployed, incl. new unemployed by months, 2008 – September 2009**



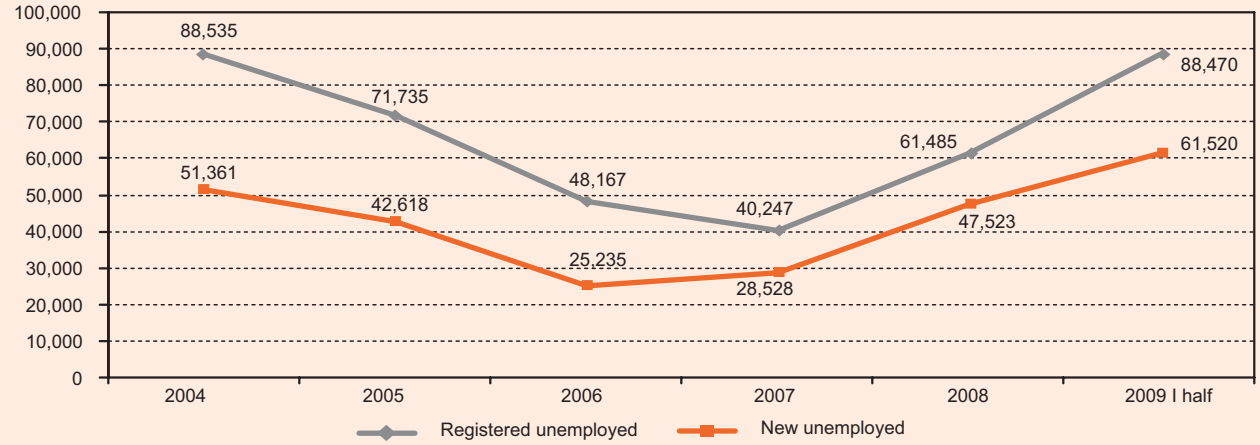
Source: Unemployment Insurance Fund

[19] The Labour Market Board was the source of data on the registered unemployed and the services until 30 April 2009. From 1 May, this statistical data is submitted by the Estonian Unemployment Insurance Fund.

[20] Eurostat, July 2009: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-01092009-AP/EN/3-01092009-AP-EN.PDF

[21] General unemployment refers to unemployment according to the definition of ILO, which is used by Statistics Estonia in their Labour Force Surveys. According to this, an unemployed is a person without work who is actively seeking for work and is available to start work immediately upon finding a job. Unemployment rate means the percentage of the unemployed in the labour force.

Figure 3.2. **Number of the registered unemployed, incl. new unemployed, 2004–2008 and first half of 2009**



Source: Unemployment Insurance Fund

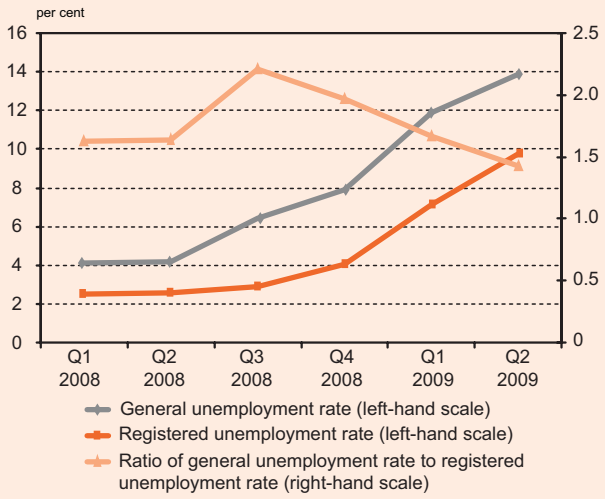
2008 and there were 30,307 registered unemployed[22] in Estonia by the end of Q4. By the end of Q2 in 2009, the number of the registered unemployed had increased to 67,100 persons. Figure 3.1 shows that the fast rise of unemployment continued in the first half of 2009, and the number of the registered unemployed exceeded the number of the registered unemployed in 2008 by a factor of 1.4.

The number of new unemployed in the first half of 2009 was also higher by 13,997 persons than the total number in 2008. The number of the new unemployed reached the level of 61,520 persons in the first half of 2009, which was slightly more than the total number of the registered unemployed in 2008. The number of the new unemployed was higher and the increase in the total number of the registered unemployed slowed down in Q2 of 2009 in comparison to Q1.

A total of 61,485 persons were registered as unemployed in 2008, which is 53% more than in 2007. In the first half of 2009, 88,470 persons were registered as unemployed.

The general unemployment rate increased in 2008 by 0.8 percentage points in comparison to 2007. The increase in the registered unemployment rate in comparison to 2007 was higher than the increase in the general unemployment rate – 0.9 percentage points. The difference between the general and registered unemployment rates decreased by 0.1 percentage points in comparison to 2007. Figure 3.3 shows the general and registered unemployment rates by quarters in the period 2008–2009. A comparison of the second quarters of 2008 and 2009 indicates that the difference between general and registered unemployment has slightly decreased. There is a noticeable trend during the recession that an increasing number of people who lost their job approach the Unemployment Insurance Fund, which provides them with various services, the unemployment allowance and the unemployment insurance benefit.

Figure 3.3. **Registered unemployment rate and general unemployment rate, 2008–2009 (quarterly)**

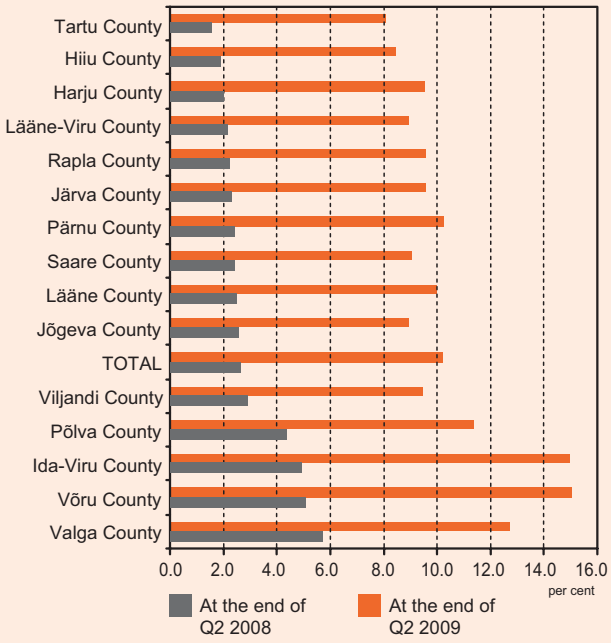


Source: Statistics Estonia, Unemployment Insurance Fund

[22] Registered unemployed is a person, who is not working and has registered himself/herself as unemployed at the Estonian Unemployment Insurance Fund.

At the end of Q2 2009, the registered unemployed accounted for 10.2% of Estonia's labour force in the age group from 16 years to retirement age. This percentage was only 2.6% at the end of the first half of 2008. The employment rate in different counties at the end of Q2 2008 could differ by more than three times. The highest rates of registered unemployment were recorded in Valga County (5.7%), Võru County (5.1%), and Ida-Viru County (4.9%). The unemployment rates were lowest in Tartu County (1.5%), Hiiu County (1.9%), and Harju County (2.0%). Comparing with the end of Q2 in 2008, the registered unemployment rate increased at the end of Q2 in 2009, but the regions with highest and lowest unemployment remained mostly the same. The difference in the registered unemployment rates in different counties at the end of Q2 2009 was up to 1.9 times. Võru County (15.1%), Ida-Viru County (14.9%), and Valga County (12.7%) had the highest unemployment rates. Tartu County (8.1%), Hiiu County (8.4%), and Lääne-Viru and Jõgeva Counties (8.9%) had the lowest unemployment rates. Registered unemployment increase four times in one year. The increase was highest in Tartu County (5.3 times) and lowest in Valga County (2.2 times).

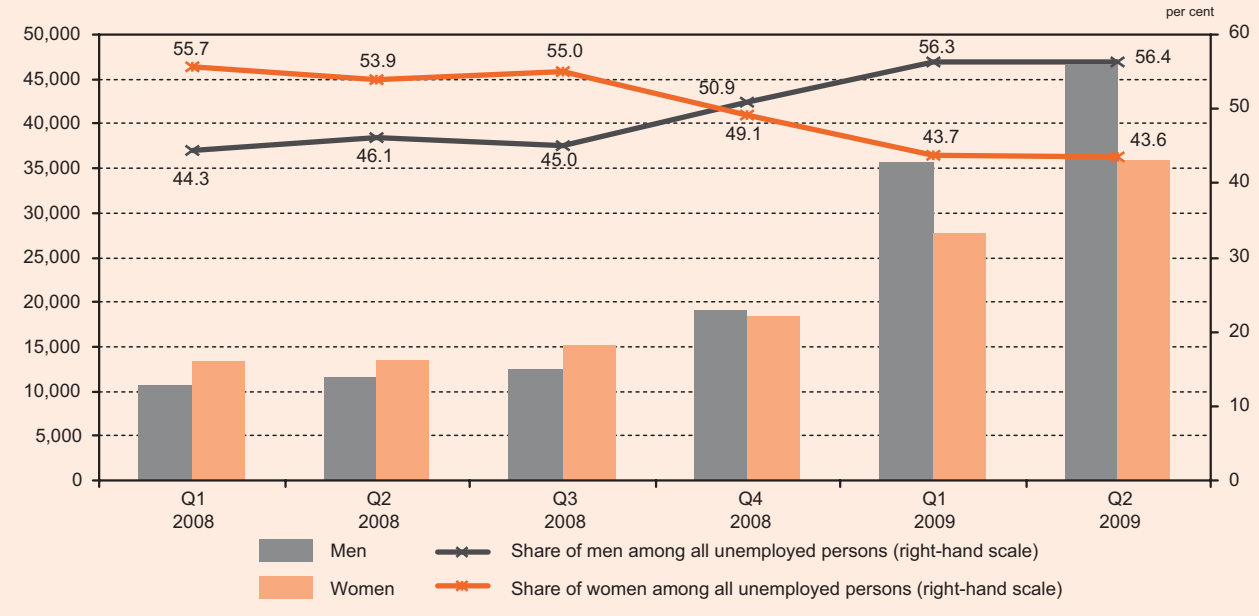
Figure 3.4. **Registered unemployment rates in different counties at the end of Q2 2008 and 2009**



Source: Unemployment Insurance Fund

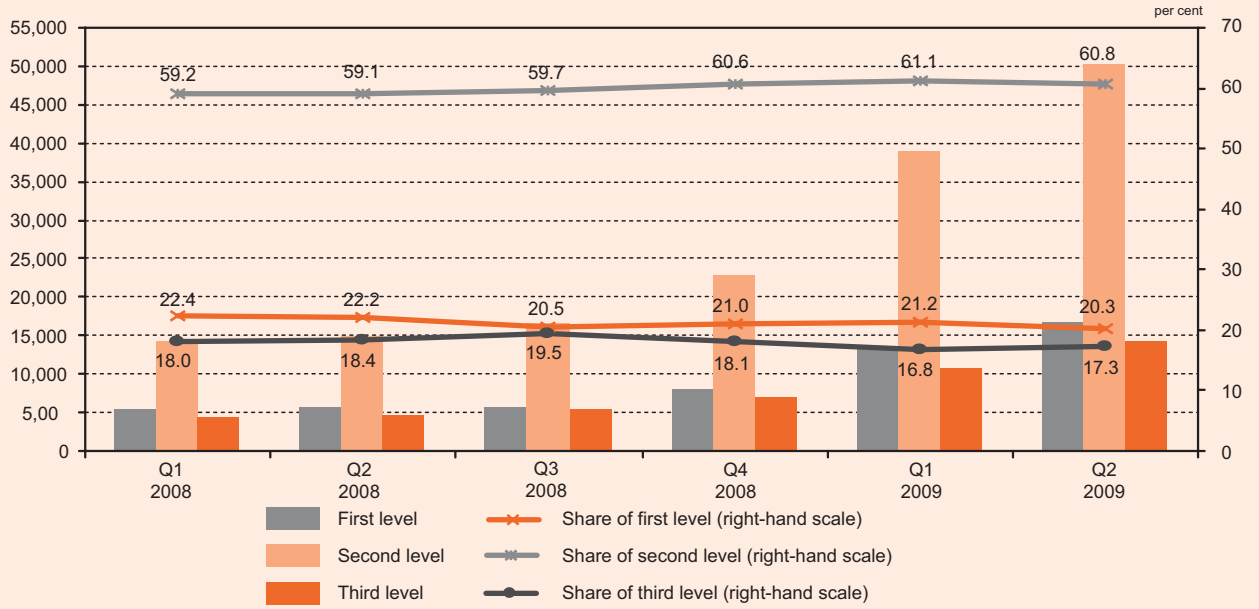
49.5% of the registered unemployed in 2008 were men and 50.5% were women. A comparison to 2007 indicates that the share of men among all unemployed persons has increased by 7.5% while the share of women has decreased by the same percentage. Figure 3.5 shows that more than half (50.9%) of all unemployed persons in Q4 2008 were men. The share of men increased further in the first half of 2009, while the share of women dropped to 43.6%. The increased share of men among the registered unemployed can be explained by the sudden fall in

Figure 3.5. **Registered unemployed by sex, 2008–2009 (quarterly)**



Source: Unemployment Insurance Fund

Figure 3.6. **Registered unemployed by level of education, 2008–2009 (quarterly)**



Source: Unemployment Insurance Fund

demand for labour in the construction sector and manufacturing industry.

15.9% of all unemployed persons registered in 2008 belonged to the age group 16–24 and 28.1% belonged to the age group of older people (55+). The age structure of the unemployed has changed in comparison to 2007. The share of young people has increased and the share of older people has decreased among the registered unemployed. By the end of Q2 in 2009, as many as 17% of the registered unemployed were aged 16–24, which represents an increase by 6.5% from the same period in 2008. The share of older unemployed persons fell to 13% by the end of Q2 2009, which is a decrease by 4% from the same period in 2008.

22% of all the registered unemployed in 2008 had primary level education and 18% had tertiary education[23]. 60% of all the registered unemployed had secondary education. A comparison of all quarters in 2008 and the first two quarters in 2009 indicates that the proportions of education levels have not changed significantly by the end of the first half of 2009. More than half of the unemployed are still persons with vocational or general education or vocational education after basic education.

3.2. Registered unemployed belonging to risk groups

In the following, an overview by risk groups is provided of the unemployed registered with the Unemployment Insurance Fund. Risk groups are defined as groups where members may experience difficulties finding new employment. From 2006, special services are offered to the following risk groups:

- the unemployed from 16 to 24 years of age;
- the unemployed aged 55 or more;
- the disabled unemployed;
- the unemployed without sufficient knowledge of Estonian;
- the unemployed released from prisons;
- the long-term unemployed[24];

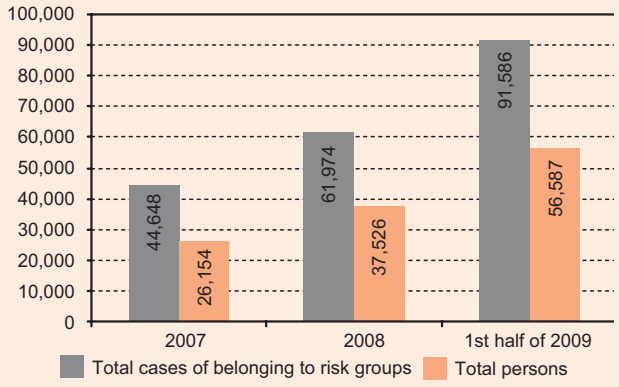
[23] Primary level – primary education, vocational education without basic education, and basic education. Secondary level – vocational training, vocational secondary education or professional vocational education after basic school, general secondary education, vocational secondary education after secondary school. Tertiary level – secondary specialised education after secondary education, professional higher education, Bachelor's, Master's or Doctoral level degree.

[24] Long-term unemployed is a person who, during twelve months prior to registration as unemployed, has not been employed or engaged in an activity equivalent to work (§ 5 (7) of the Labour Market Services and Benefits Act).

- the unemployed who have been previously engaged with duties of care and have received caregiver's allowance[25].

An unemployed person can belong to several risk groups simultaneously. 61% of all unemployed persons belonged to at least one risk group in 2008, which is four per cent less than in 2007.

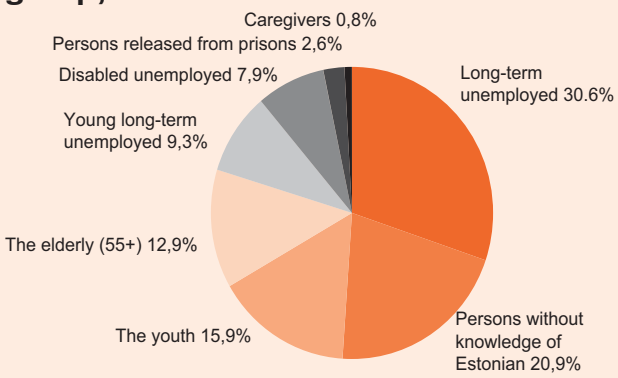
Figure 3.7. **Belonging to risk groups, 2007–2008 and first half of 2009**



Source: Unemployment Insurance Fund

Figure 3.8 indicates that 30.6% of all unemployed persons belonged to the risk group of the long-term unemployed. Persons without knowledge of Estonian accounted for 20.9% of all the registered unemployed. The share of young and older people among all the unemployed was 15.9% and 12.9%, respectively. Young long-term unemployed and disabled unemployed constituted 9.3% and 7.9%, respectively, of all the registered unemployed in 2008. In comparison to 2007, the proportions of almost all risk groups among all the unemployed have remained the same. Only the share of the long-term unemployed has decreased by 7.3% and the number of the young unemployed has increased by 1.5%.

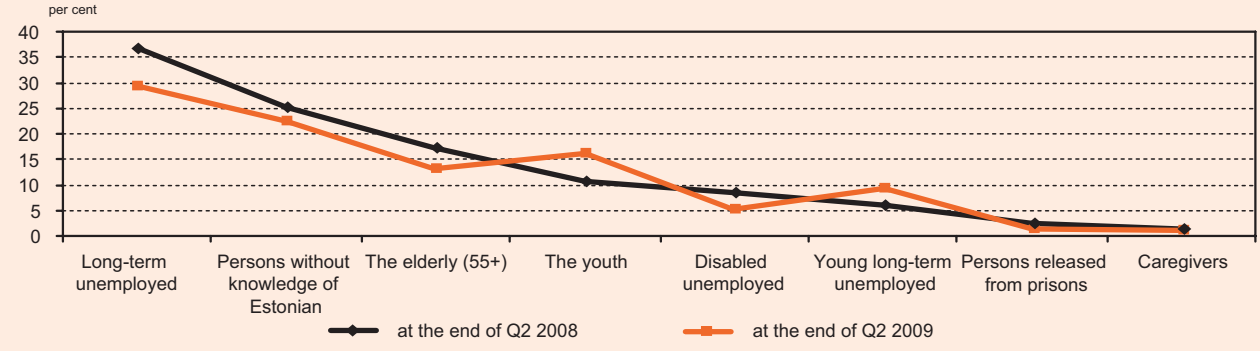
Figure 3.8. **Percentage of the unemployed in risk groups, by risk group, 2008**



Source: Unemployment Insurance Fund

Comparing the end of the first half of 2009 with the same period in 2008, we see that the share of the registered unemployed belonging to risk groups decreased from 67.7% to 62.5%. In absolute figures, 11,494 unemployed persons belonged to a risk group at the end of Q2 2008 and 41,909 unemployed persons at the end of Q2 2009. While 36.8% of all the registered unemployed were the long-term unemployed at the end of Q2 2008, the percentage of this risk group fell to 29.4% in the same period 2009. The share of the unemployed without the knowledge of Estonian decreased in the same period from 25.2% to 22.6%, the share of the older unemployed decreased from 17.2% to 31.1%, and the share of the disabled unemployed decreased from 8.4% to 5.2%. However, the share of the young unemployed increased during this period from 10.6% to 16.2%. The decreasing percentage of the unemployed in risk groups was caused by the fact that the inflow of new unemployed persons was very high in the first half of 2009.

Figure 3.9. **Percentage of the registered unemployed in risk groups, by risk group, at the end of Q2 2008 and 2009**



Source: Unemployment Insurance Fund

[25] Labour Market Services and Benefits Act (RT I 2005, 54, 430).

A clarification about the long-term unemployed: their number has increased in absolute figures, but their share in all the unemployed has decreased, because the recession has forced more people directly from employment to unemployment. Considering that the labour market has very few vacant jobs, it can be assumed that the long-term unemployment will increase and expand in the coming years.

Table 3.1. **Number of the registered unemployed in risk groups at the end of 2008 and on first half of 2009**

	At the end of 2008	At the end of the first half of 2009
Long-term unemployed	9,227	19,738
Persons without knowledge of Estonian	7,095	15,166
The elderly (55+)	4,586	8,761
The youth	4,380	10,857
Young long-term unemployed	2,424	6,161
Disabled unemployed	1,997	3,517
Persons released from prisons	577	945
Caregivers	268	643

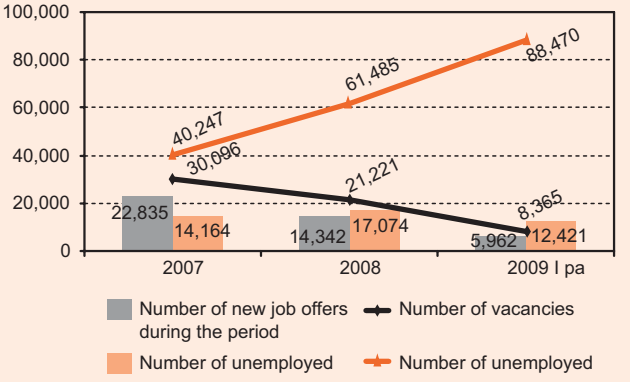
Source: Unemployment Insurance Fund

3.3. Vacancies and employment mediation

In 2008, the Unemployment Insurance Fund could mediate 21,221 jobs, which was 29.5% less than in 2007. The number of new job offers decreased by a factor of 1.6 in 2008 in comparison to 2007. The number of job offers mediated in the first half of 2009 was 8,365. In the same period in 2008, the number of mediated jobs was by 46.9% higher. The number of new jobs added in the first half of 2009 decreased by 32.8% from the same period a year ago. If the number of new job offers decreases at a slower rate than the number of mediated jobs in the same period, it indicates that the average time of placement has shortened[26].

The difference from previous years lies in the fact that the number of persons placed in jobs in 2008 and in the first half of 2009 exceeded the number of new job offers. Over 17,000 persons found work in 2008 and over 12,400 in the first half of 2009. The number of those who found work is probably underestimated, because the placement data are based on the statements of job-seekers themselves. The share of placements among all the registered unemployed was 28% in 2008 and 14% in the first half of 2009.

Figure 3.10. **Number of vacancies, placements and persons registered as unemployed, 2007–2008 and first half of 2009**



Source: Unemployment Insurance Fund

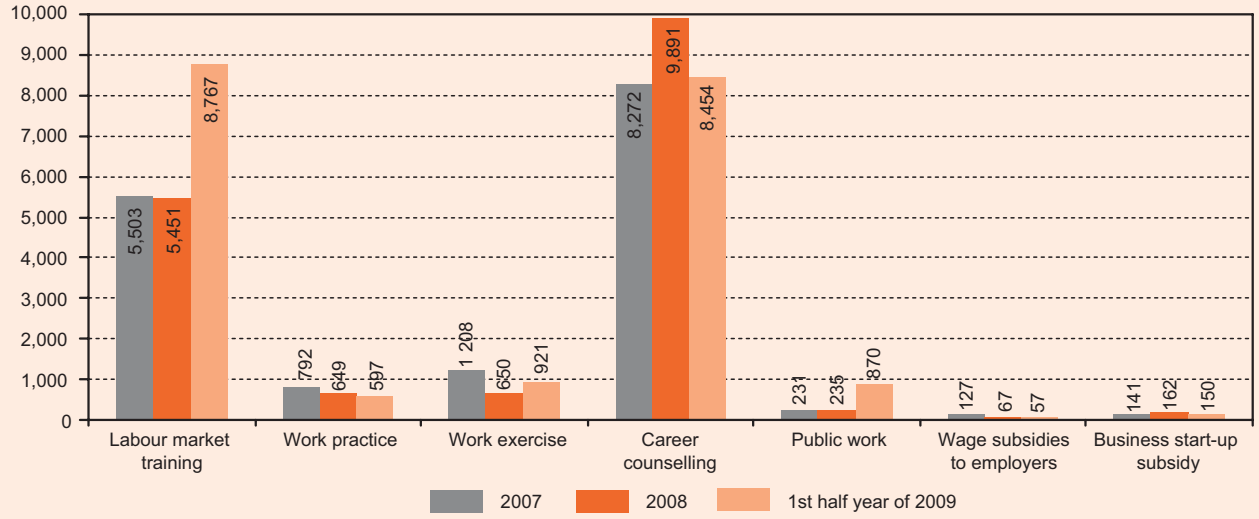
3.4. Active labour market measures

In addition to job mediation, the Unemployment Insurance Fund also provides services to assist in finding employment. Many unemployed persons require in-service training or retraining, opportunities for practice, or other services to prepare them for working. All such services are called 'active labour market measures'.

Career counselling has been the most popular active labour market measure in recent years. Figure 3.11 indicates that 9,891 persons participated in career counselling in 2008, which accounts for 16% of those who were registered as unemployed during that period. Labour market training was used slightly more frequently than career counselling in the first half of 2009. 10% of all the registered unemployed participated in the labour market training in the first half of 2009. The percentage of participation in the labour market training was 9% in 2008 and 14% in 2007.

[26] Unemployment Insurance Fund.

Figure 3.11. **Number of persons participating in active labour market measures, 2007–2008 and first half of 2009**[27]



Source: Unemployment Insurance Fund

The number of employment services provided in the first half of 2009 was 2.6 times higher than during the same period in 2008. The number of the registered unemployed increased 2.7 times during the same period, i.e., participation in services increased at a slightly slower rate than the number of the registered unemployed. As mentioned above, the largest number of people participated in the labour market training. Participation in this service increased 4.4 times compared to the first half of 2008 and the increase rate exceeded the increase in the number of the registered unemployed. Participation in public work increased as well from the first half of 2008 (3.2 times). The volume of the work exercise increased 2.4 times, i.e., slightly slower than the number of the registered unemployed. Work practice was attended by 597 unemployed persons in the first half of 2009, which is 1.6 times more than in the same period in 2008.

The services for disabled persons[28] were provided to 30 persons in 2008, which is half of the level of 2007. Ten disabled persons received a service in the first half of 2009, while the corresponding figure in the first half of 2008 was 19.

3.5. Monitoring employment relations – collective termination of employment contracts, use of part-time work or holidays with partial pay

Before entry into force of the new Employment Contracts Act, employers had to file an application with the Labour Inspectorate if they wanted to use collective redundancy, part-time work or holidays with partial pay. This obligation was abolished from 1 July 2009. The next two Figures present the number of applications filed with the Labour Inspectorate and the number of employees included in the employers' requests for redundancy, part-time work or holidays with partial pay from 2006 to 2008 and in the first half of 2009. The Figures also show the number of applications approved by the Labour Inspectorate and the number of employees affected by these decisions.

Figure 3.12 indicates that the number of collective redundancy applications to the Labour Inspectorate

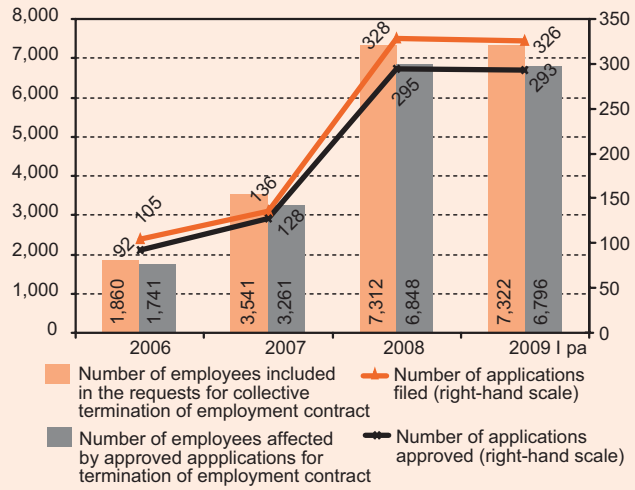
[27] The Figure does not include specific services for the disabled unemployed, because the volume of these services is significantly lower than the volume of other services.

[28] Adaptation of premises and equipment; special aids and equipment; communication support at interviews; working with support person.

increased 2.4 times from 2007. The right to terminate employment contracts was granted in relation to 6,848 employees in 2008, which is 110% more than in 2007. The fact that the indicator more than redoubled in 2008 was caused by large redundancies at the end of the year. The wave of redundancies continued in the first half of 2009 and the respective indicators reached almost the same levels in the first six months as during the entire year of 2008.

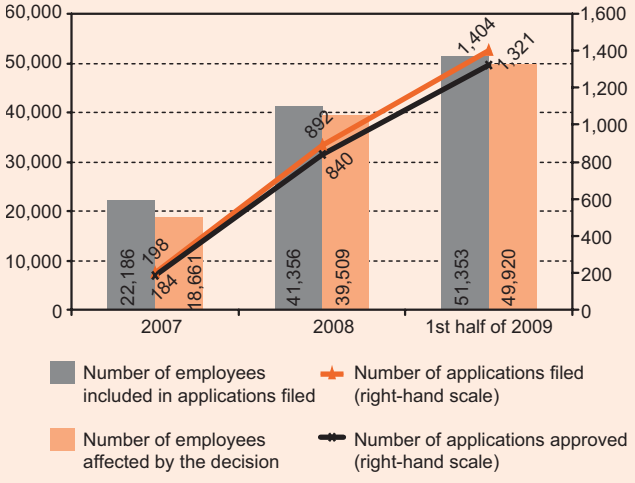
In addition to collective redundancies, employers try to use other methods to survive in a difficult economic situation. Part-time work or holidays with partial pay were increasingly used in 2008. The number of employees who were transferred to part-time work or were sent to holidays with partial pay increased by 112% compared to 2007. The number of applications filed with the Labour Inspectorate for using part-time work or holidays with partial pay was 1.6 times higher in the first half of 2009 than in the entire year of 2008. These decisions affected 49,920 employees, which is 10,411 persons more than in 2008.

Figure 3.12. **Collective termination of employment contracts, 2006–2008 and first half of 2009**



Source: Labour Inspectorate

Figure 3.13. **Use of part-time work or holidays with partial pay**



Source: Labour Inspectorate

3.6. Unemployment allowance, unemployment insurance benefit, and collective redundancy and insolvency benefit

In addition to job intermediation and employment services, the Unemployment Insurance Fund is also paying unemployment allowance and unemployment insurance benefits. The EUIF also pays benefits in the case of collective redundancy and insolvency of the employer. The unemployment allowance is paid to the unemployed who have worked for at least 180 days during the preceding year or have been engaged in activities that are considered as equivalent to work[29]. The unemployment insurance benefit is paid by the EUIF to unemployed persons whose unemployment insurance period in the three preceding years is at least 12 months and whose last employment relationship did not end on their own initiative or mutual agreement[30].

The number of recipients of the unemployment allowance in 2008, i.e., 22,909 persons, was 1.3 times higher than in 2007. This increase was expected due to the rise in registered unemployment. However, the percentage of recipients of the unemployment allowance among the new unemployed dropped to 48% from the 62% in 2007. This indicates that more unemployed people had previous work experience and they did not leave work on their own initiative or mutual agreement. The number of new recipients of the unemployment allowance increased 1.3 times

[29] Labour Market Services and Benefits Act (RT I 2005, 54, 430).
[30] Unemployment Insurance Act (RT I 2001, 59, 359).

from 2007. Figure 3.14 shows that 27,111 unemployed persons received the unemployment allowance in the first half of 2009, which is 2.2 times more than in the first half of 2008. The increase in the number of recipients of the unemployment allowance was slower than the increase in the number of recipients of the unemployment insurance benefit, because the majority of the new unemployed in the first half of 2009 were eligible for the unemployment insurance benefit. 44% of the new unemployed received the unemployment allowance (67% in the first half of 2008). 18,372 persons were new recipients of the unemployment allowance in the first half of 2009, which is 2.5 times more than in the first half of 2008.

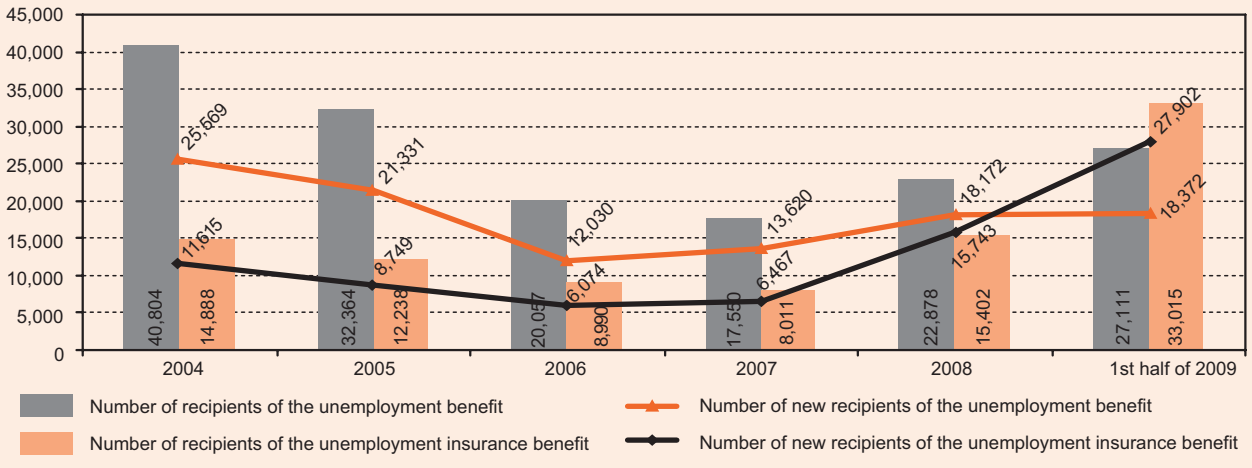
In 2008, the Unemployment Insurance Fund paid unemployment insurance benefits to 15,402 insured persons, which is almost twice as many as in 2007. The share of recipients of the unemployment insurance benefit among the new unemployed increased during the same period. The number of new recipients of the benefit increased by 97% from 2007 to 2008. In the first half of 2009, the number of recipients of the unemployment insurance benefit very suddenly rose to 33,051 persons. This represents an increase by a factor of 4.6 in comparison to the same period in 2008. The number of recipients of the benefit increased faster than the number of the new unemployed and their percentage among the new unemployed increased, because, as has been mentioned above, the majority of the new unemployed had been working before and lost their jobs on the initiative of the employer. 27,902 new recipients of the unemployment insurance benefit were added in the first half of 2009, which is over five times more than in the first half of 2008.

In conclusion, the rapid growth in the number of recipients of the unemployment allowance and the unemployment insurance benefit can be associated with the fast increase in the number of the registered unemployed. In previous years, the number of recipients of the unemployment allowance has always been higher than the number of recipients of the unemployment insurance benefit. The number of persons receiving the unemployment insurance benefit started to increase at the end of 2008 and, in the first half of 2009, this number exceeded the number of recipients of the unemployment allowance. This change was caused by a change in the structure of the registered unemployed: there were increasingly more unemployed persons with previous work experience who lost their jobs on the initiative of the employer (large redundancies).

The average monthly amount of the unemployment insurance benefit in 2008 was EEK 3,614. In the second quarter of 2009, the average monthly unemployment insurance benefit increased to EEK 4,595 per month (it was 3,511 at the same time in 2008).

In addition to the unemployment insurance benefit, the Unemployment Insurance Fund also pays a collective redundancy benefit[31] and a benefit upon

Figure 3.14. **Number of the unemployed who received the unemployment allowance and the unemployment insurance benefit, and the number of new recipients of these benefits, 2004–2008 and first half of 2009**



Source: Unemployment Insurance Fund

[31] From 1 July 2009, the Unemployment Insurance Fund started to pay an insurance benefit upon redundancy instead of the collective redundancy benefit. As the period considered in this chapter ends with the first half of 2009, it includes the number of recipients of the collective redundancy benefit.

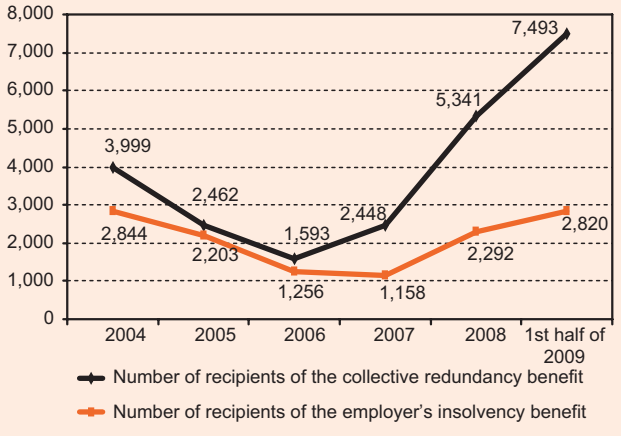
insolvency of the employer. In the case of the collective redundancy benefit, the Unemployment Insurance Fund pays, for the employer, a part of the benefits upon termination of employment contracts or service relationships. In the case of the insolvency benefit, the Unemployment Insurance Fund pays to the employee remunerations, which the employee did not receive due to the insolvency of the employer. Both benefits are paid as non-recurrent payments and a person does not have to be registered as unemployed with the Unemployment Insurance Fund in order to receive these benefits.

Figure 3.15 shows the number of recipients of the collective redundancy benefit and the employer's insolvency benefit. In 2008, the number of recipients of the collective redundancy benefit increased to 5,341 persons, which is more than double the number in 2007. In the first half of 2009, this indicator was 1.4 times higher than the total number of recipients of the benefit during the entire year of 2008. An increase in the number of recipients of this type of benefit is unsurprising, considering the large wave of redundancies that started at the end of 2008.

The number of recipients of the employer's insolvency benefit has increased as well from 2007. 98% more persons received this benefit in 2008 than in 2007. The indicator in the first half of 2009 slightly exceeded the total figure for 2008, rising to 2,820 recipients.

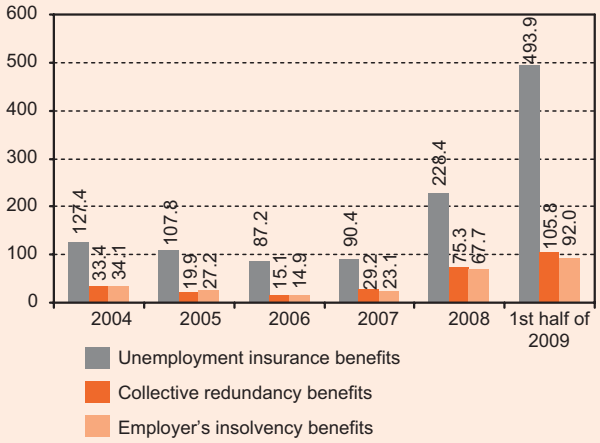
The next Figure shows the amounts used for the payment of the aforementioned benefits. The Figure indicates that the unemployment insurance benefit has required the largest expenditure throughout the years. In comparison to 2007, the expenditure increased over 2.5 times in 2008. The cost of this benefit increased further in the first half of 2009, so that the Unemployment Insurance Fund had to spend EEK 493 million on payments of the unemployment insurance benefit (the cost in 2008 was over EEK 228 million). The expenditure on the collective redundancy benefit and the employer's insolvency benefit increased in 2008 and in the first half of 2009 as well. More than EEK 105 million was spent on the collective redundancy benefit in the first half of 2009, which is 1.4 times more than in the entire year of 2008. The total amount of the employer's insolvency benefit, paid by the EUIF during the same period, was EEK 92 million and the expenditure increased at a similar rate to the expenditure on the collective redundancy benefit.

Figure 3.15. **Number of recipients of the collective redundancy benefit and the employer's insolvency benefit, 2004–2008 and first half of 2009**



Source: Unemployment Insurance Fund

Figure 3.16. **Expenditure on the unemployment insurance benefit, the collective redundancy benefit, and the employer's insolvency benefit, 2004–2008 and first half of 2009 (million EEK)**



Source: Unemployment Insurance Fund

3.7. Expenditure on labour market policy

This section includes information on the labour market policy expenses until 2008. This was a period when the Labour Market Board was still operating and the following expenditures were made by the Labour Market Board. Active labour market measures and payments of the unemployment

allowance are financed from the state budget and external resources of the European Social Fund. The administrative expenses of the Labour Market Board have also been included in the cost of active labour market policy.

Figure 3.17 presents the spending on active and passive labour market measures and the total expenditure on labour market policy. Active measures include everything that was described in section 3.5. Passive labour market measures include unemployment allowance and special social tax. In 2008, the Labour Market Board spent EEK 396 million on labour market policy. Over the years, the expenditure on active labour market measures has generally been higher than the expenditure on passive measures. In 2008, the active measures accounted for 71% of the total cost of labour market policy. The passive measures accounted for 29% of the total cost during the same period. The share of the cost of passive labour market measures in total expenditure has increased in recent years (it was 27% in 2007). The percentage of the expenditure in GDP increased to 0.16% in 2008.

Table 3.2 shows the expenses by service types. The expenses increased from 2007 to 2008 in the categories of unemployment allowances, business start-up subsidies, labour market training, and work exercise.

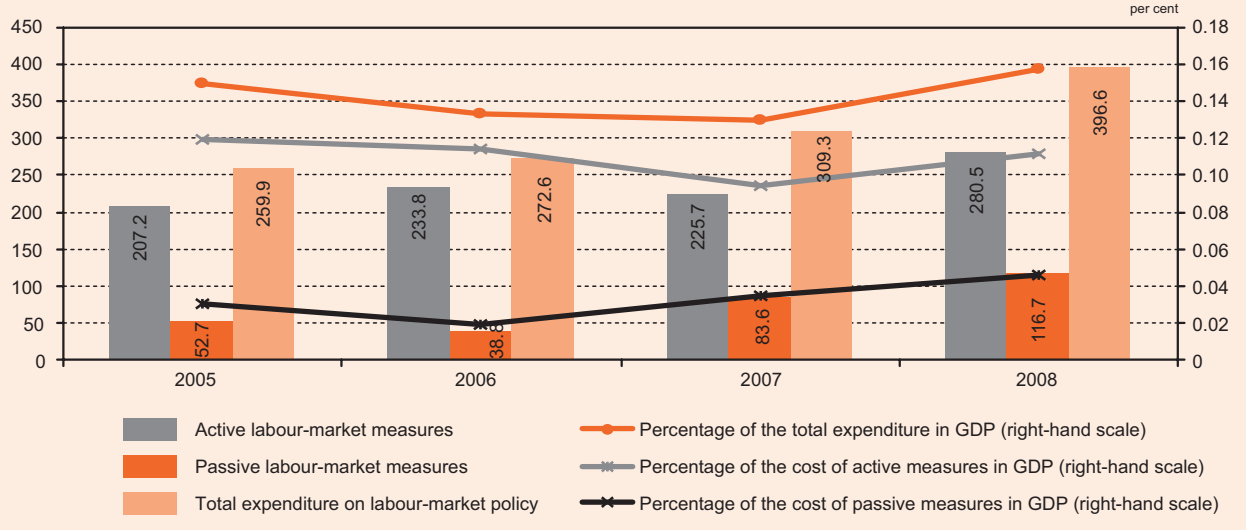
Due to the rapid increase in registered unemployment, it can be assumed that the expenditure on passive labour market policy will increase significantly in 2009. The expenditure on active labour market measures are likely to increase as well, because the number of the registered unemployed increases and the need for services is higher than before. In addition, the administrative capacity in the provision of labour market measures has improved from 1 May, after the Estonian Unemployment Insurance Fund took over the responsibilities of the Labour Market Board.

Table 3.2. **Expenditure (incl. foreign support) by service types (million EEK)**

	2007	2008
Unemployment allowance	52.3	66.1
Social tax for the unemployed paid from state budget	31.3	49.9
Grant	7.5	5.9
Transport allowance	5.5	4.8
Business start-up subsidy	2.7	9.5
Labour market training	43.9	51.7
Wage subsidy to employers	1.8	1.1
Work practice	5.6	5.1
Work exercise	9.8	14.2
Services directed at disabled unemployed	1.0	0.9

Source: Labour Market Board

Figure 3.17. **Expenditure on labour market policy and percentage of the expenditure in GDP, 2005–2008**



Source: Labour Market Board

4. Emigration of labour force

Brit Veidemann

The issue of the migration of labour has received more attention after Estonia's accession to the European Union. Freedom to work in other Member States of the EU is one of the basic rights of the EU citizens and many Estonian residents have made use of this opportunity. The active movement of labour to foreign countries during the economic boom boosted labour costs and created competition between employers for in-demand employees. The issue of labour migration has become topical again at the time of fast constriction of economy and the migration of young people to foreign countries remains an important concern.

The future development and sustainability of Estonian economy will largely depend on the potential of Estonia's labour force. Both decrease in the labour force and failure to apply the potential of knowledge and skills would damage the country's capacity for quick recovery from the crisis. As the process of migration can create unfavourable changes in population structure over a short period of time (reducing the number of taxpayers and potential mothers), it is important to have an overview of migration trends. Unfortunately, lack of reliable migration statistics means that there is no clear overview of migration flows or migration structure (who migrate, why, where, for how long and for what reasons?). Most descriptions of the socio-economic structure of migration have been based on the data from the Labour Force Surveys (LFS), which tend to underestimate the number of migrating persons and only include temporary absences from Estonia.

The method of data collection for Estonian Labour Force Surveys does not enable including into analysis the persons who have moved abroad for longer periods. The target population of the Estonian LFSs includes persons of working age who have been living in Estonia on a permanent basis (over one year) and the definition of temporary absence is restricted to persons who live in Estonia and intend to spend less than a year abroad. Consequently, migration can be analysed on the basis of prior experience of working abroad or current work abroad. The Labour Force Survey assumes that a working Estonian resident is employed, irrespective of whether the workplace is located in the Estonian territory or not. Hence the data of the LFS indicates that nearly 94% of those, whose principal job was located abroad, reported that their place of residence was in Estonia. Consequently, the selected data only reflects temporary migration where many people work abroad in the form of circular migration (live for a few months in the country of destination and then return home) or for a few weeks at the time, while still considering Estonia as the location of their homes. It should be also remembered that, in terms of the characteristic background indicators of the migrating group, the sample groups for selected background indicators are very small in the LFS and, consequently the estimations are very sensitive.

4.1. Changes in the last year

The impact of the financial crisis, which began in the second half of 2008 in the USA and led to global recession, did not yet affect Estonia's working-age population (persons from 15 to 74 years of age) in 2008 to the same extent as it did in 2009. A comparison of 2007 and 2008 to identify important changes in employment patterns indicates that the increase in the number of the unemployed has come on account of those who were previously employed (Figure 4.1). 46% of the surveyed unemployed in 2008 were employed a year before the survey.

We can see from the comparison of the two years that the largest change in the 'probability of transition' has occurred in the group of the unemployed, i.e., only 34% of those who were unemployed

Figure 4.1. **Distribution of working-age population by status in the labour market, 2007–2008**

Source: author's calculations, Estonian Labour Force Surveys 2007, 2008

in 2008 were unemployed in 2007 as well. In 2007, 55% of those who were unemployed in that year had been unemployed a year before. The share of the unemployed persons who had been employed a year before was much higher in 2008 than in 2007. As many as 46% of the unemployed in 2008 had been employed a year before, while the corresponding indicator in 2007 was only 28%. How has the new situation in the labour market affected emigration?

Specialists in labour force mediation have said that there is increased pressure for finding work abroad, because the situation in Estonian labour market has rapidly deteriorated in the last year (Gavronski 2009)[32]. Even though Estonia has no reliable data for evaluating the total immigration and emigration flows, the migration surveys of the Bank of Estonia enable to claim that the outflow of labour from Estonia increased in 2008. While the number of employed persons who went to work abroad was 4,000 in 2007, there were around 6,000 departures in 2008 (Veidemann 2009: 31–32)[33]. The survey did not collect information on the persons who moved abroad while being unemployed or inactive. Similarly, the data from the Labour Force Surveys confirm that the share of persons working in a foreign country has gradually increased in Estonian working-age population after Estonia's accession to the EU, as can be seen on Figure 4.2. 1.5% of working-age residents (15–74 years of age) and 2.3% of the labour force held principal jobs abroad in 2008. This percentage roughly corresponds to 15,000 persons[34]. In comparison to 2004, the share of people who work abroad has increased in the labour force almost 2.5 times – from 0.9% to 2.3%. Similar trends have been observed in other new Member States of the EU, such as Poland, where the emigration of

[32] Gavronski, A. Huvi välismaal töötamise vastu on hüppeliselt kasvanud. – ERR uudised, Aktuaalne Kaamera, 12.07.2009 [http://uudised.err.ee/index.php?06170843]

[33] Veidemann, B. Tööjõu emigratsiooni struktuur ja mõju lähteriigi majandusele Eesti näitel. UT Institute of Economics, 2009, p 94 (Master's thesis).

[34] It should be noted that the data from the LFSs underestimate the extent of migration; as the LFS data do not include longer periods of stay in foreign countries. Nevertheless, the Labour Force Surveys provide an indication of the changes in migration flows.

Figure 4.2. **Share of persons working abroad in Estonian labour force and working-age population, 2004–2008**

Source: author's calculations, Estonian Labour Force Surveys 2004–2008

employed persons among the working-age population (from 15 to 59 years of age) has increased to 4% (Galgoczi *et al.* 2009: 23)[35].

An analysis of changes in employment from 2007 to 2008 indicates that an overwhelming majority (89%) of those who had worked abroad for some time during the year before the survey continue to be employed in 2008 (see Table 4.1) and 87% of this group have currently found employment abroad. Consequently, Estonians who have established contacts and ties in a foreign country maintain an employment relationship abroad after one year. More than three quarters of the people who work abroad have found a job in a foreign country through their relatives or acquaintances, which indicates the presence of networks. Expansion of these networks will facilitate emigration in the future.

Table 4.1. **Distribution of persons with previous experience of working abroad by employment status, 2007–2008 (per cent)**

Employment status	Did not work abroad during the previous year		Worked abroad during the previous year	
	2007	2008	2007	2008
Employed	62.1	62.5	93.0	89.4
Unemployed	3.0	3.6	2.9	7.2
Inactive	34.9	33.9	4.1	3.4
Total	100.0	100.0	100.0	100.0

Source: author's calculations, Estonian Labour Force Surveys 2007, 2008

An interesting result was that over 7% of the working-age respondents, who had been working abroad for some time during the year before the survey, were unemployed in 2008. At the same time, the share of the unemployed among those, who had not been working abroad, remained relatively stable from 2007 to 2008 (around 3 or 4 per cent) (Table 4.1). We can only theorise that the people who returned to Estonia, after having worked abroad in 2007, are less capable in the Estonian labour market than the people who did not work abroad during the year before the survey, so that the returning people did not find a job or worked unofficially. According to the data from the Unemployment Insurance Fund, the number of registered unemployed who have worked abroad has increased four times compared to the end of year 2007. The number was slightly lower than 700 in the second quarter of 2009. It is possible that the people, who have worked abroad, decide not to register themselves as unemployed and continue working unofficially in Estonia. The data of the LFSs indicate that 45% of those, who had worked abroad, were employed in the construction sector in 2008. The period of crisis can potentially facilitate unofficial employment and, according to a survey by Eurofound[36], unofficial work is most common in the construction sector in the countries of Central and Eastern Europe. Having analysed the development trends in the labour market and movement between employment statuses, we will now consider the characteristic features of the emigrating workers.

[35] Galgoczi, B., Leschke, J., Watt, A. Intra-EU labour migration: flows, effects and policy responses. – European Trade Union Institute, Working Paper 3/2009, p 38.

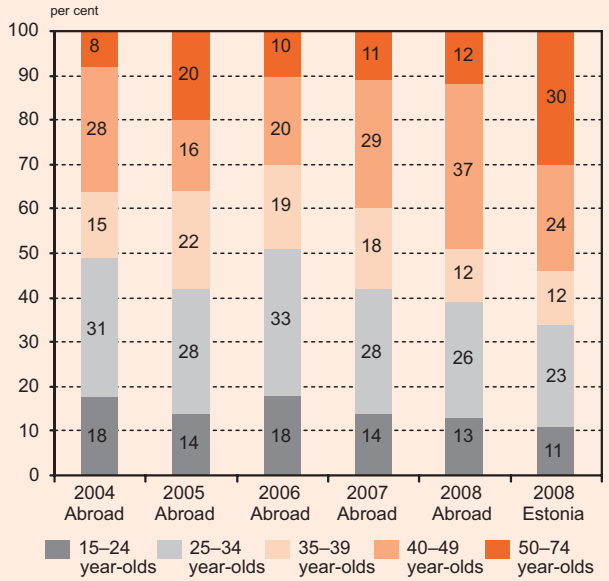
[36] Measures to tackle undeclared work in the European Union. – European Foundation for the Improvement of Living and Working Conditions, 2009, p 60 http://www.eurofound.europa.eu/pubdocs/2009/25/en/1/EF0925EN.pdf

4.2. Employment in a foreign country

The nature of work in a foreign country has changed in the period considered (2004–2008). Earlier, the work abroad was often temporary (occasional or seasonal work), but in 2008, 90% of the relevant responses indicated that the work abroad was of permanent nature. While the literature on migration sometimes claims that workers from Estonia often work in positions that do not correspond to their qualifications, the data from the LFSs indicates that almost 90% of the people, who were engaged abroad, held a position that corresponded to their level of education.

Even though the number of men and women is almost equal among the employed persons, the share of men working abroad has increased over the years. In 2008, men accounted for around 90% of those who worked abroad. The age structure of the people working abroad is statistically different from the general age structure of employed persons. While the persons in the age group 25–49 accounted for 60% of all working people in Estonia, they accounted for three quarters (75%) of those who worked in a foreign country (Figure 4.3). The percentage of middle-age persons (40–49 years of age) working abroad has increased, compared to previous years, and some decrease can be detected in the younger age group. This result is somewhat surprising, because literature often claims that typical migrants are men and young people who work abroad to provide for their families or for their future (Blanchflower, Shadforth 2007)[37]. Similarly, the 2006 survey of migration intentions in Estonia confirmed that work abroad was most attractive to people aged 15–24 (Järv 2007)[38]. The migration surveys of the Bank of Estonia indicate that half of the workers who migrated in 2008 were in the age bracket 25–34 years, but the share of people aged 35 years or more increased from 2007 as well (Veidemann 2009: 20). In conclusion, while younger age cohorts were dominating the migration flows in earlier years, the share of middle-aged people has recently increased.

Figure 4.3. **Distribution of people working in Estonia and abroad by age, 2004–2008**



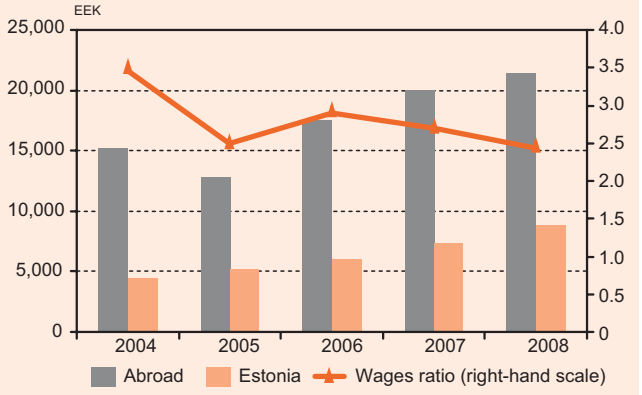
Source: author's calculations, Estonian Labour Force Surveys 2004–2008

An analysis of the Labour Force Surveys indicates that the migration of young people aged 24 years or less is not as significant in comparison to other age groups as one might assume. This result is probably influenced by the method of data collection, which means that persons over 40 years of age, who work in a foreign country, are over-represented, while the labour migration of young people has receded into the background. Migration of young people to foreign countries (for the purposes of education, employment or travel) has been insufficiently studied and no good data on this are available. The main driving force for Estonian people working abroad has been the desire for higher wages and better working conditions (Järv 2007: 17). The level of wages and salaries in Estonia increased considerably during the period of fast economic growth: according to Statistics Estonia, the annual increase in gross wages between 2004 and 2008 was up to 20%. In a comparison of occupations, the wage gap narrowed in favour of blue-collar jobs[39] and the difference between average net wages earned abroad and in Estonia decreased in this period (see Figure 4.4). Nevertheless, the people who worked in a foreign country in 2008 still earned, on the average, around two and half times as much as the workers

[37] Blanchflower, D., Shadford, C. Fear, Unempoyment and Migration. – NBER Working Paper Series, 2007, No. 13506, p 52.
[38] Järv, K. Eesti tööealise elanikkonna väljarände eelistused. Sotsiaalministeeriumi toimetised. Nr 8, 2007, p 24.
[39] The monthly wages of blue-collar workers increased faster than the wages of white-collar workers.

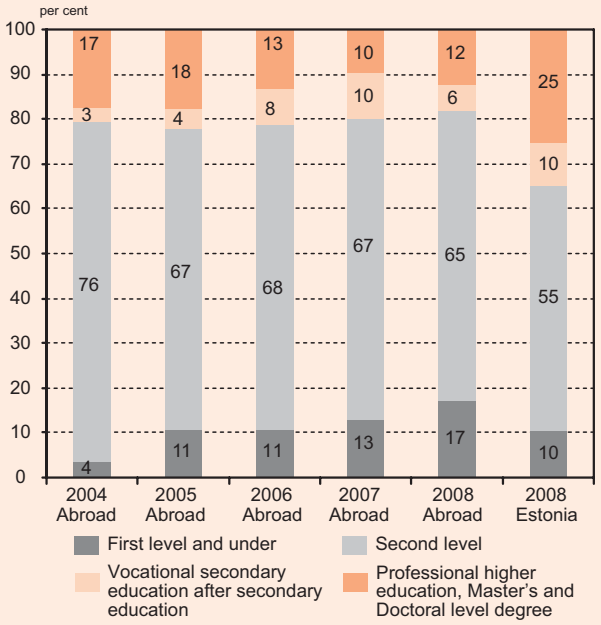
in Estonia. It means that the wage difference was still large enough to justify working abroad. The average net salary earned abroad in 2008 was EEK 21,500 per month.

Figure 4.4. **Average net salary by country of employment and wages ratio, 2004–2008**



Source: author's calculations, Estonian Labour Force Surveys 2004–2008

Figure 4.5. **Distribution of people working in Estonia and abroad by education, 2004–2008**

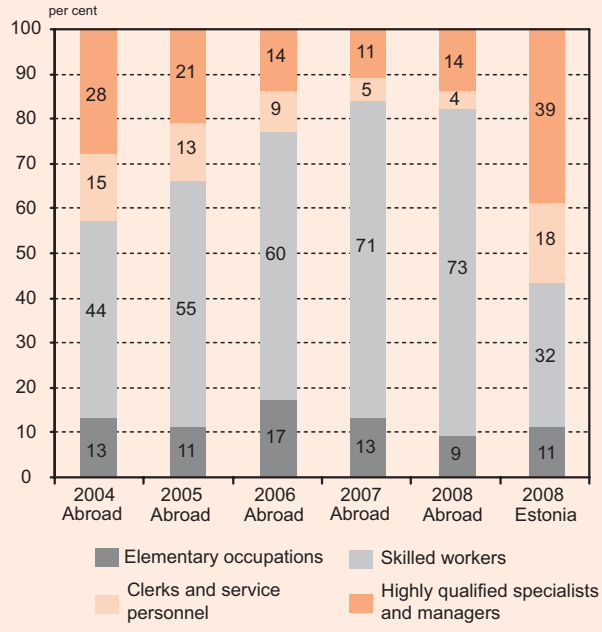


Source: author's calculations, Estonian Labour Force Surveys 2004–2008

Looking at the educational background of the workers, the literature frequently refers to a "brain drain" and its negative impact on the economic development and growth rate in the homeland (Beine *et al.* 2008)[40]. The "brain drain" is a result of systematic overrepresentation of people with a high level of human capital among migrants in comparison to the entire population (Kaczmarczyk, Okolski 2008)[41]. The characteristic features of the "brain drain" include higher education, professional competence, skills and management experience. The data of the Estonian Labour Force Survey do not confirm the fear of mass exodus of Estonian employees with higher levels of skills and education.

As the structure of education has not changed significantly in Estonia's labour force during the past five years, those yearly percentages have not been presented on a figure. However, it is noticeable that the share of people with lower levels of education has increased among those who work abroad. Comparing this with the employed persons in Estonia, one could not claim that this represents "brain drain" (Figure 4.5). Around 18% of the people who wor-

Figure 4.6. **Distribution of people working in Estonia and abroad by occupation, 2004–2008**



Source: author's calculations, Estonian Labour Force Surveys 2004–2008

[40] Beine, M., Docquier, F., Schiff, M. Brain Drain and its Determinants: A Major Issue for Small States. – IZA Discussion Paper Series, 2008, No. 3398, p 23.

[41] Kaczmarczyk, P., Okolski, M. Economic impacts of migration on Poland and the Baltic States. – Fafo's Strategic Institute Programme on labour and enterprise mobility following EU enlargement. Fafo-paper, 2008, p 69.

ked abroad in 2008 had tertiary education, while this percentage was 35% among the employed persons in Estonia. The people working in foreign countries tend to prefer blue-collar jobs more often than the people employed in Estonia. Over 70% of the people employed abroad in 2008 were skilled workers, while they only constituted 32% of the people employed in Estonia (Figure 4.6). The increasing share of blue-collar jobs and decrease in white-collar jobs is a trend over several years. What could be the cause of this difference?

The selection of the skill level of migrant labour could be explained by the structure of demand in the countries of destination (demand for workers with low qualifications) and the wage gap caused by the capacity for the transfer of human capital. The data of the LFSs indicate that the employment structure of the people working abroad and in Estonia includes statistically significant differences with regard to the primary economic sector of the employer. The Estonian workers abroad in 2008 were mainly represented in the secondary sector; the construction sector was overwhelmingly the largest employer, followed by transportation, storage and manufacturing. Having analysed the structure of occupations and economic sectors of the Estonian workers abroad, one could assume that a return to Estonia is more probable than before, because the number of available jobs in construction and manufacturing is rapidly decreasing. Even though, during the boom period, immigrants from the new Member States occupied positions in sectors with high demand (mainly jobs with limited requirements for skills), it seems clear from the general trends of development that the demand for employees with tertiary education will increase in the future while the demand for employees with low qualifications will decrease.

Another potential explanation is the wage gap between migrant labour and local labour with a similar level of skills. Many studies (e.g., The Economic Impact of Immigration 2008)[42] confirm that short-term migrants from the new Member States accept jobs they are over-qualified for and they earn much less compared to the local labour with similar socio-economic background. In addition, there are references in the literature indicating that the difference in income level for immigrants from the new Member States grows in near the top end of income distribution (Barrett et al. 2008)[43]. Consequently, workers with lower qualifications gain more from the work abroad in terms of relative income than the workers with higher levels of skill. In conclusion, demand for work with lower-than-average qualifications requirements and the wage gap has so far facilitated migration of blue-collar workers from Estonia.

4.3. Future prospects

Inflexibility of the labour market is a major obstacle to economic development. Dynamic movement of employees between employment statuses, sufficient income for subsistence during periods of unemployment, and opportunities for in-service training and retraining promote confidence and create the conditions for making a maximum contribution to employment in Estonia. The pressure for emigration of labour increases in the current economic situation when the number of the unemployed increases. The pressure is strongest in manufacturing and construction where the drop in demand has been the fastest. The labour released from these sectors needs to adapt quickly to find employment in other sectors. However, the demand for labour has decreased in almost all sectors and, therefore, many released workers are forced to seek employment abroad. The changes in the labour market also mean that even fresh graduates can be at risk, because entry into the labour market has become more difficult. As the literature on migration claims that young people are generally more open to the possibility of working abroad, we could expect increased migration of young people at the start of their careers.

The nature of emigration in the near future is difficult to predict at the moment. Even though wage

[42] The Economic Impact of Immigration. House of Lords. Select Committee on Economic Affairs, 1st Report of Session 2007–08, April 2008, p 84.

[43] Barrett, A, McGuiness, S., O'Brien, M. The immigrant earnings Disadvantage across the earnings and Skill Distribution; The Case of Immigrants from the New Member States in Ireland. – IZA Discussion Paper Series, 2008, No. 3479, p 24.

differences and demand in the countries of destination have been the main reasons of migration from Estonia, the impact of the advancing economic crisis on labour emigration is not yet clear. The initial reports indicate that immigrants are increasingly returning from Western Europe, the United Kingdom, Ireland and Spain, which are the countries that were affected most by the crisis (Galgoczi *et al.* 2009)[44]. For example, in the United Kingdom, the number of registered workers from the new Member States in the first quarter of 2009 was only half of the number registered a year before (Accession Monitoring Report 2009).

Even though the data of the LFSs indicate that middle-aged people are the dominant group among those who work abroad, this could be a distortion caused by the method of data collection. Considering the age profile of the people who work in foreign countries based on other data sources, there emerges a concern about the impact of the "loss of youth" on the demographic structure in Estonia. The current situation in the labour market does not facilitate the return of young people, or people with lower than average education, to the domestic labour market. Even though the professional and educational background of the workers abroad confirms that people with lower skill levels have been dominant in labour emigration and there has been no "brain drain", it remains an important issue.

Firstly, surveys in the favourite countries of destination for migrant labour from EL10[45], namely Ireland and the United Kingdom, enable to conclude that workers from the new Member States (incl. Estonia) generally perform routine work with low skill requirements, which leads to the question, whether labour mobility actually does create additional knowledge and skills (human capital) that would produce higher added value when applied in Estonia. The analysis of the data from the LFSs also indicates that people returning from abroad do not perform better in the labour market of the homeland than those who have not left. Secondly, it seems obvious, looking at the general developments of the global labour market, that the demand for blue-collar workers will decrease and the demand for white-collar workers will increase in the developed countries. The same trends will probably also influence Estonia's labour market. Consequently, it is extremely important to focus on reforming the educational system and providing retraining and in-service training opportunities to avoid reinforcing the situation where people, who have not yet acquired professional education, leave Eastern Europe with its low wage level and seek better wages and working conditions in the Western countries. At the same time, the shortage of labour and skills, caused by the decreasing size of the working-age population, will in a long run cause pressure among employers for raising the labour costs and recruiting immigrant labour.

[44] Galgoczi, B, Leschke, J., Watt, A. Intra-EU labour migration: flows, effects and policy responses. – European Trade Union Institute, Working Paper 3/2009, p 38.

[45] EU10 – Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Hungary, Slovenia, Poland, Malta, Cyprus.

5. Situation of immigrant population in Estonian labour market

Brit Veidemann

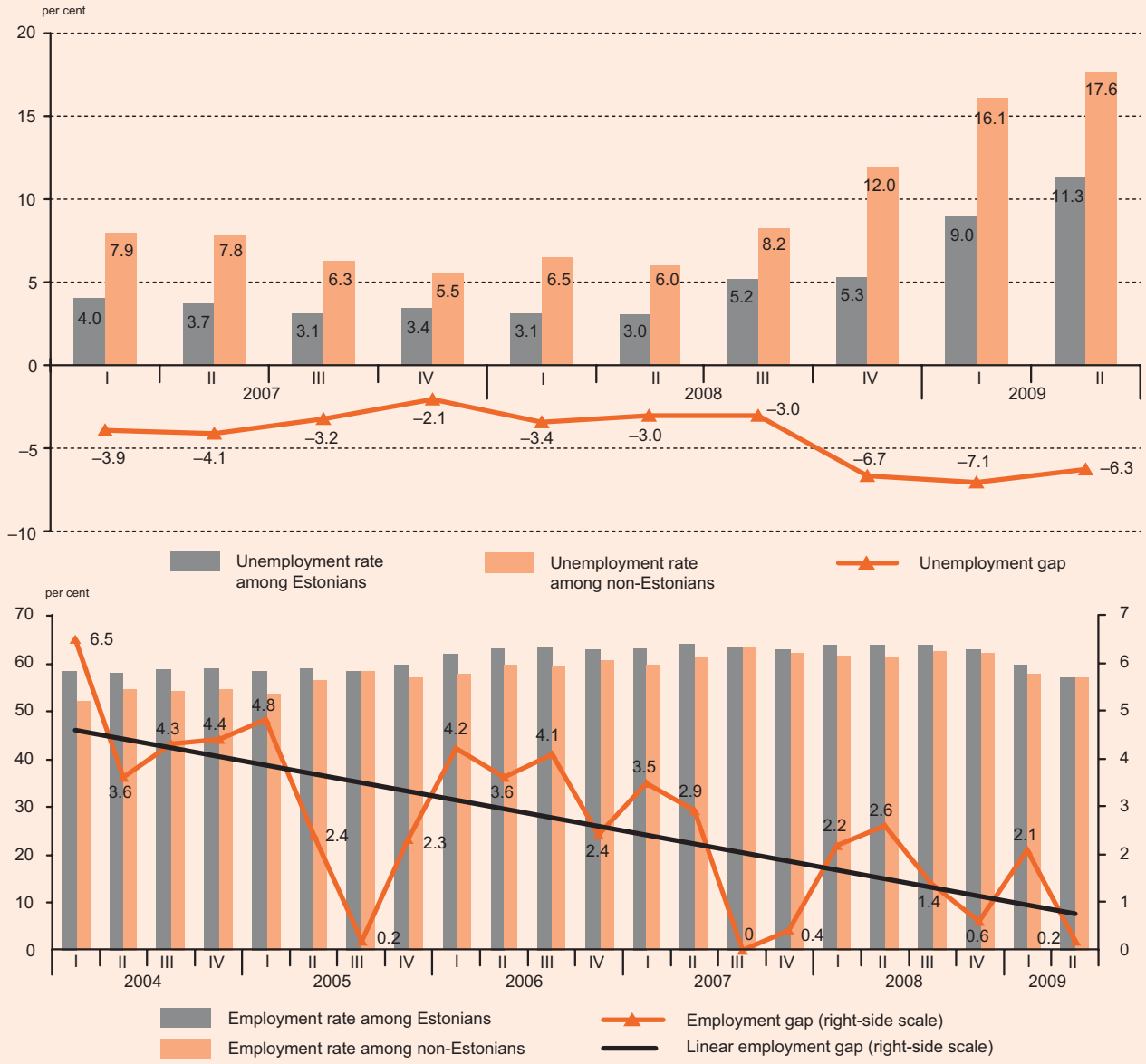
Having analysed the migration of workers from Estonia and possible future changes in migration patterns, we should also look at how the immigrant population deals with the situation in the Estonian labour market during the recession. The Organisation for Economic Cooperation and Development (OECD) predicts that the situation in the labour market will continue deteriorating in 2010. It is predicted that young people, unskilled immigrants and ethnic minorities will suffer the most. The analyses of the situation of the immigrant population in the labour market in comparison to the natives have been based mainly on the data from the Estonian Labour Force Surveys (LFS). The identifying variable of the immigrant population was added to the data source only in 2008 and, consequently, the analysis of trends is also based on the indicators of ethnic minority, language and citizenship.

Estonia is one of the countries where a large portion of the population has a migratory background, i.e., they were born in another country, have other citizenship and/or belong to another ethnic group. The immigrant population of working age (from 15 to 74 years of age) includes persons, whose parents were born abroad, and it accounts for about one quarter of the entire working-age population in Estonia (254,000 persons according to Statistics Estonia). In terms of citizenship, some 38% of the working-age immigrant population have received Estonian citizenship. The Estonian population of people with a history of migration comprises mostly people of Russian ethnicity. This includes people, who moved to Estonia during the Soviet period, and their descendants. As of 1 January 2008, the ethnic minorities who see themselves as non-Estonians constituted one third of the Estonian population. The immigrant population includes a special category of immigrants, even though it is fairly marginal. These are 'recent immigrants', i.e., people who have come to Estonia within the last ten years, seeking employment.

5.1. Recent changes in the labour market

The changes in the Estonian labour market have been very fast and, consequently, the situation of the ethnic minorities in 2008 is no longer representative of their situation today. While the unemployment gap between Estonians and other ethnic groups decreased during the period of economic growth, the unemployment gap started to widen again in the first half of 2009 (Figure 5.1). The level of unemployment among non-Estonians reached 17.6% in Q2 2009, while the level of unemployment among Estonians was lower by 6.3 percentage points. In terms of sex, the changes in the labour market had the strongest impact on non-Estonian men, whose unemployment rate in the second quarter of 2009 was 9 percentage points higher than the unemployment rate of Estonian men. The employment gap between ethnic groups has decreased in recent years, but volatility is very high in the comparison of quarters. The employment gap became almost non-existent (0.2%) in the second quarter of 2009, which can be explained by the behaviour of women. While the decrease in the employment rate was faster among the non-Estonian men and the employment gap between men remained at 2.5 percentage points, the employment rate among non-Estonian women increased in the first half of 2009 (3.5 percentage points in Q1 and 0.6 percentage points in Q2), reaching a higher level than the employment rate of Estonian women. Another interesting result is that, while the level of activity has decreased among the Estonians

Figure 5.1. **Unemployment rate, employment rate and gaps[46] among Estonians and non-Estonians aged 15–74 years, 2007–2009 (quarterly)**



Source: Statistics Estonia, Statistical database: Social life – Labour market – General data of labour market

(irrespective of sex), the economic activity rate has increased among non-Estonians. The increase among non-Estonian women was up to 7 percentage points in the first and second quarter of 2009 and the increase among non-Estonian men was up to 2.3%. Once again it is confirmed that the Estonians are quicker to give up the search for work, while non-Estonians have increased their participation in the labour market to cope with economic difficulties.

In addition to objective employment indicators, subjective assessments also pointed to a difficult situation of the immigrant population. In 2008, the immigrant population was much more pessimistic about the future than the natives. They felt stronger fear of unemployment and were more sceptical than the natives about their chances of finding a new job in the case of unemployment. There were some 10% more immigrants than natives, who were convinced that they will lose their job during 2009 and did not believe that they would be able to find a new job in such case. 27% of the immigrants and 13% of the natives in paid employment did not believe that they would be able to find a new job corresponding to their profession[47]. The fear of the

[46] Unemployment gap – difference between unemployment rates in percentage points; employment gap – difference between employment rates in percentage points.

[47] Statistics Estonia, Statistical database – Labour market – Immigrant population.

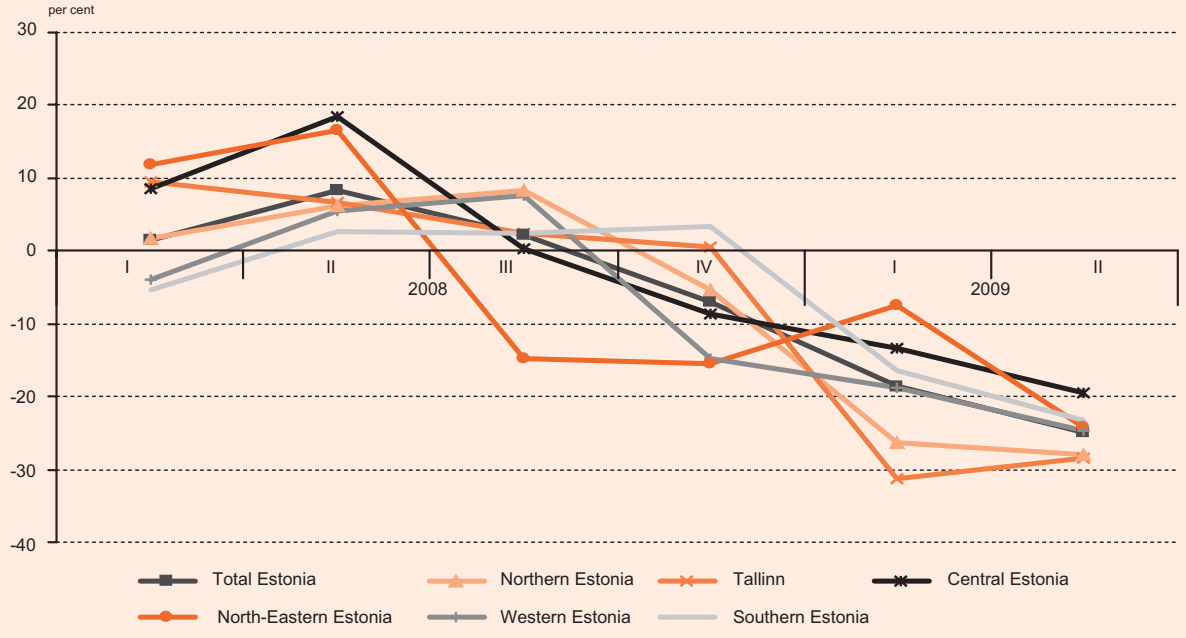
future is justified, because there are significant differences in the level of coping of Estonian and non-Estonian unemployed persons. A considerably larger portion (34%) of the Estonian unemployed reported satisfactory coping than the unemployed of other ethnic groups (15%). Coping with great difficulties was much more common among the unemployed of other ethnic groups (46%) than among the Estonian unemployed (31%)[48]. In the following, we will consider the structure of regional labour markets to analyse recent changes and their impact on the employment situation of the immigrant population.

5.2. Economic structure of regions

The decrease in employment has been fastest in the secondary sector, with an average drop by 25% in the second quarter of 2009 from the same period a year before (Figure 5.2). The most affected region has clearly been North-Eastern Estonia, because it has the highest percentage (about 45%) of persons employed in the secondary sector (Figure 5.3). The constriction of the industrial sector in North-Eastern Estonia began earlier than in other regions, even before the start of the economic recession. However, the importance of the primary sector has slightly increased in the last quarter (partially caused by the agricultural season), but the annual average increase in employment in the Estonian primary sector did not exceed 1.6% in the second quarter. The level of employment in the primary sector is highest in Central Estonia.

The level of unemployment in North-Eastern Estonia, where the population includes many non-Estonians, in 2008 was 10%. However, the level of unemployment was also high in other regions where the share of non-Estonians in the population is very small. For instance, the unemployment rates in Põlva County and Valga County were 8.9% and 8.5%, respectively. It should be emphasised that, as a positive trend, the level of unemployment in the North-Eastern Estonia decreased faster during the economic boom and increased slower in 2008 than the Estonian average. Consequently, the difference between the unemployment rate in North-Eastern Estonia and the Estonian average unemployment rate was less than twofold for the second year running.

Figure 5.2. **Annual increase in employment in the secondary sector by regions[49], 2008–2009 (quarterly)**

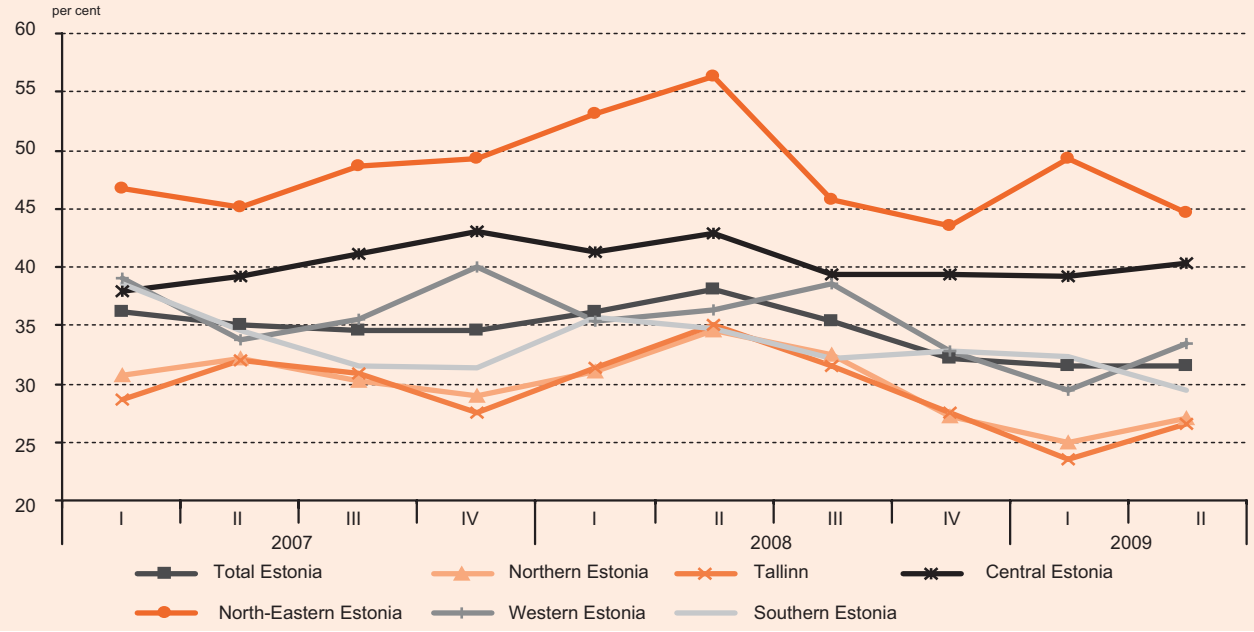


Source: Statistics Estonia, Estonian Labour Force Survey

[48] Statistics Estonia, Statistical database – Labour market – Unemployed persons.

[49] Northern Estonia: Harju County (incl. Tallinn); Central Estonia: Järva, Lääne-Viru, Rapla Counties; North-Eastern Estonia: Ida-Viru County; Western Estonia: Hiiu, Lääne, Pärnu, Saare Counties; Southern Estonia: Jõgeva, Põlva, Tartu, Valga, Viljandi, Võru Counties.

Figure 5.3. **Share of persons employed in the secondary sector by regions, 2008–2009 (quarterly)**



Source: Statistics Estonia, Estonian Labour Force Survey

As of 1 January 2008, ethnic minorities constituted 80% of the population in Ida-Viru County[50]. At the end of August 2009, the Unemployment Insurance Fund reported that the highest percentage of the registered unemployed (16.3% of the labour force from 16 years to retirement age) was observed in Ida-Viru County. The unfavourable situation of the labour force in Ida-Viru County is reinforced by extremely lopsided structure of the local economy. According to the projections of the Ministry of Economic Affairs and Communications[51], the largest job losses can be expected in textile and clothing industries and in construction, which provided employment to around 19% of the workers in Ida-Viru County from 2006 to 2008.

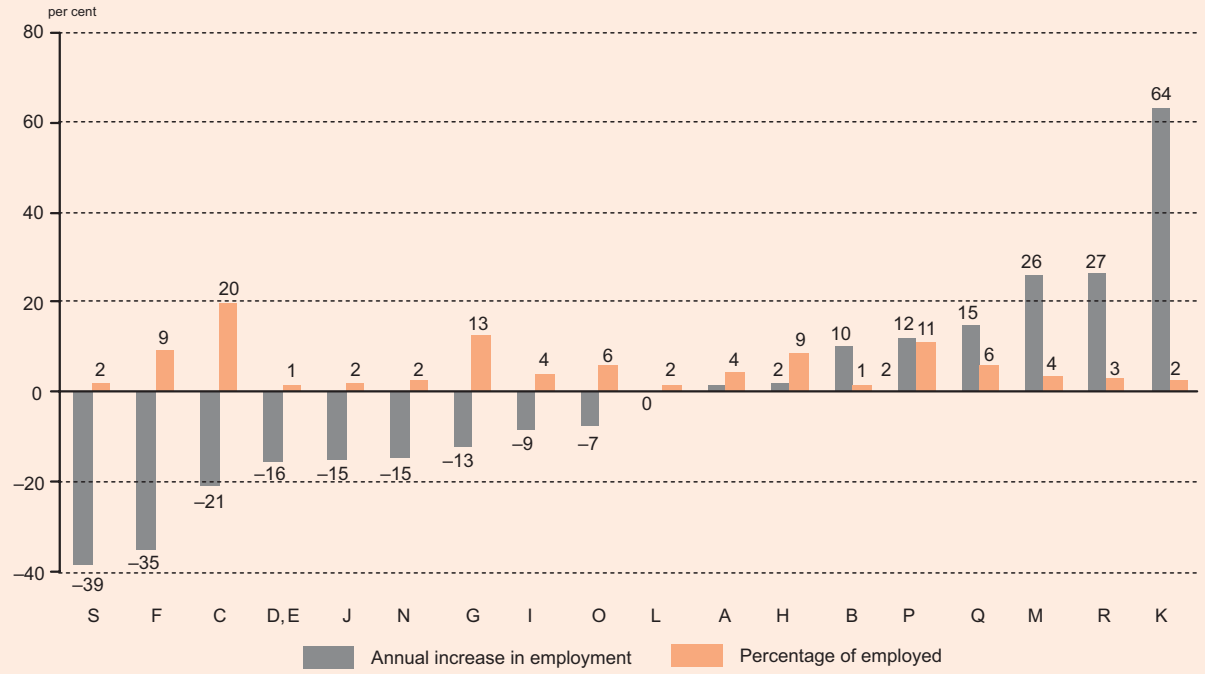
5.3. Employment structure

The employment structure is one of the main reasons for the devastating effect of the recession on the labour market. The drop in economic activities has had the strongest impact on sectors with the largest number of workers. Figure 5.4 indicates that, in addition to other unclassified activities (code S), the largest decreases were experienced in the secondary sector – construction (code F) and manufacturing (code C). In addition, the trade sector (code G), which has provided employment to 13% of the labour force, has suffered a decrease in employment rate by 13%.

A comparison of the employment structure of Estonians and ethnic minorities indicates that the sectors with the largest number of employed persons are similar. The most Estonians and non-Estonians were employed, in 2008, in trade (code G), manufacturing (code C) and construction (code F) (Figure 5.5). Some 30% of the Estonians and 40% of the non-Estonians were employed in construction and manufacturing. The increase in unemployment is not surprising in the light of these figures. The structure of employment is a major factor in the increasing unemployment among the non-Estonians, because the economic recession has had the strongest impact on production volumes in these sectors. The Statistics Estonia report on the second quarter of 2009[52] indicates that the rapid decrease in added value in construction (–31%) was caused by the decrease in construction volume

[50] Statistics Estonia, Statistical databases – Population – Population indicators and composition.
[51] Tööjõu vajaduse prognoos aastani 2016. – Majandus- ja kommunikatsiooniministeerium, Tallinn 2009, p 78 [http://www.mkm.ee/public/Toojou_vajaduse_prognoos_aastani_2016.pdf]
[52] Statistics Estonia report on the 2nd quarter of 2009 [http://www.stat.ee/?id=31341&highlight=lisandväärtus]

Figure 5.4. **Annual increase in employment and distribution of the employed between economic activities[53], Q2 2009**

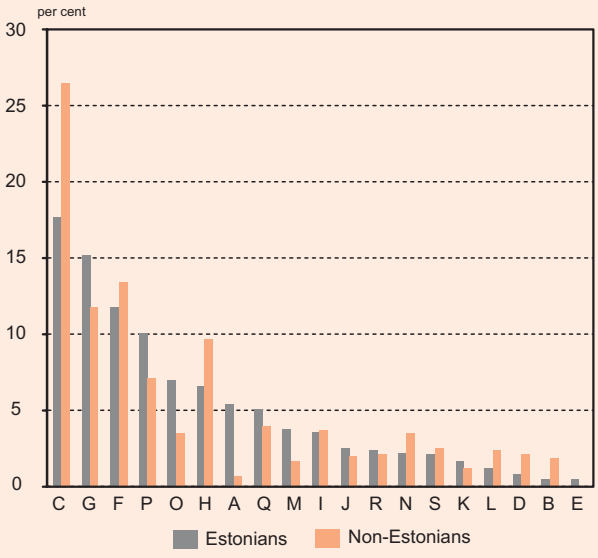


Source: Statistics Estonia, Estonian Labour Force Survey

of dwellings, and the decrease of added value in manufacturing (–31%) was caused by continued weak domestic demand and decrease in exports. The added value did not decrease in public administration and defence (code O) – the sectors that employ twice as many Estonians as non-Estonians. Agriculture (code A), another sector that has suffered less during the crisis, also employs somewhat more Estonians than non-Estonians (difference in employment 5%).

Distribution of employed persons between white-collar and blue-collar jobs is different in different regions. The two largest centres in Estonia – Tartu and Tallinn – have clearly the largest number of white-collar jobs, while the share of white-collar workers is lowest in Ida-Viru County, but also in Hiiu, Järva and Viljandi Counties. There is clear occupational segregation between the natives and the immigrant population. 47% of the natives and only 36% of the non-Estonians were employed in white-collar jobs. Occupational segregation

Figure 5.5. **Share of persons employed in different economic activities by ethnicity, 2008 (all sectors = 100)**



Source: Statistics Estonia, Estonian Labour Force Survey

[53] A – agriculture, forestry and fishing; B – mining and quarrying; C – manufacturing; D, E – electricity, gas, steam and air conditioning supply; water supply; sewerage; waste management and remediation; F – construction; G – wholesale and retail trade; repair of motor vehicles and motorcycles; H – transportation and storage; I – accommodation and food service; J – information and communication; K – financial and insurance activities; L – real estate activities; M – professional, scientific and technical activities; N – administrative and support services; O – public administration and national defence; statutory social insurance; P – education; Q – human health and social work; R – arts, entertainment and recreation; S – other activities.

is stronger in the case of women: the number of immigrant women in positions with high qualification requirements is 15% lower than the number of native women in those positions; the difference is 6% in the case of men. Even though there could be many reasons for ethnic segregation in the labour market, we should note that lack of knowledge of the Estonian language results in a significantly inferior position in the labour market. According to Statistics Estonia, the employment rate of non-Estonians who speak Estonian language (have Estonian citizenship) was 65.8% in 2008, but it was only 59.2% in the case of non-Estonians who do not speak Estonian (do not have Estonian citizenship). There were also correlations between coping and language skills. The number of immigrants who reported a good level of coping was 22% higher among those immigrants who speak Estonian (have Estonian citizenship).

The distribution of occupations among natives and immigrants without Estonian language skills is another indication of occupational segregation. Irrespective of whether they belong to native or immigrant population, more than half of the non-Estonians without Estonian language skills were employed as skilled workers or operators (only about 30% of the Estonians were employed in the same occupations), and the number of unskilled workers was relatively high as well. However, according to the immigrant population survey of 2008, the number of non-Estonians with Estonian language skills in white-collar jobs was over 10% higher than the number of Estonians in those jobs (Krusell 2009: 67)[54].

In conclusion, it seems that the immigrant population in general is more vulnerable in the Estonian labour market than the natives. This inferior performance in the Estonian labour market is associated with their language skills and living in a region where the secondary sector plays a major role in local employment. In addition, the structure employment has facilitated fast growth of unemployment in their case. Considering the category of recent immigrants from third countries, we can observe that their situation in the labour market is more favourable, because they only come to Estonia if a local employer provides them with a guaranteed job and with a salary that is above the Estonian average.

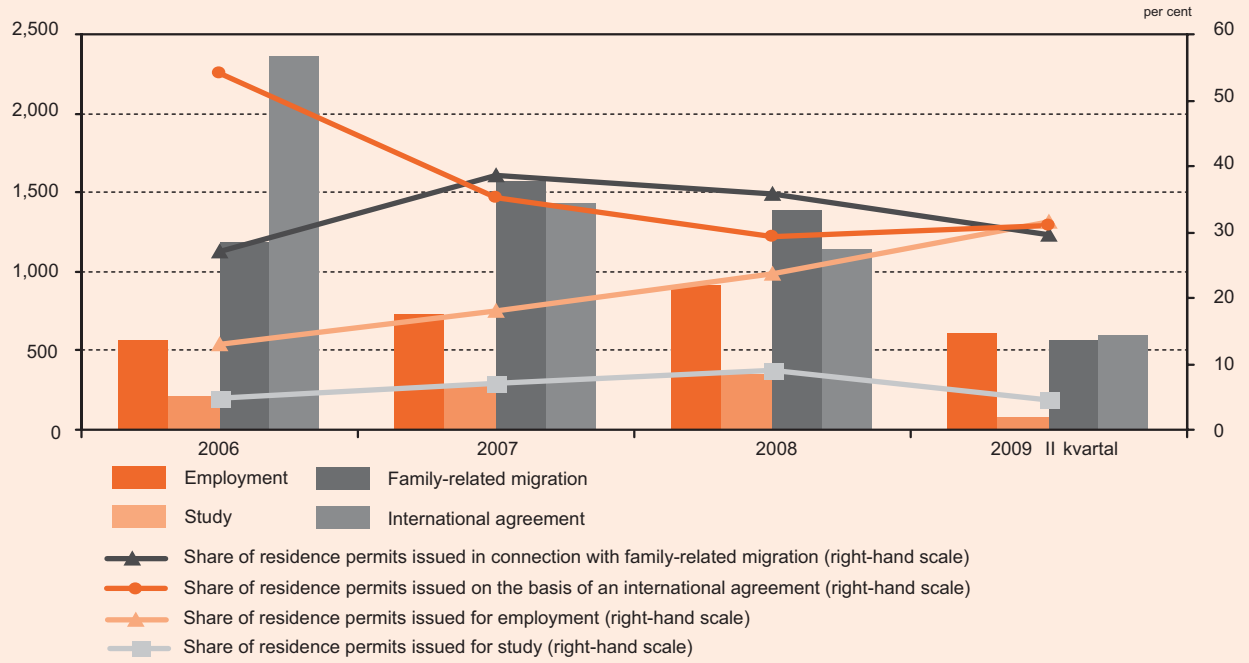
5.4. Immigration of recent immigrants

After analysing the changes in the labour market and the situation of the immigrant population, we should also consider the immigration of 'recent immigrants'. Population researcher Mare Ainsaar has said that the age structure of the Estonian population will deteriorate rapidly after 2018, reaching a stage where the state will be unable to sustain all public services. Consequently, we are faced with a choice between increasing the birth rate and accepting a much higher level of immigration than before (Aavik 2009)[55]. The external migration has been insufficiently studied due to the lack of high-quality data. The best overview of recent immigrants in the Estonian labour market is provided by the 2008 Immigrant Population Survey.

At the time when Finland is faced with decreasing economy (–11.4% in May 2009), the country is expecting to see a record number of asylum seekers, although there are not enough jobs even for temporary immigrant workers from Eastern Europe (Suurkask 2009)[56]. The number of asylum seekers in Estonia is still very low (10–15 persons per year), but illegal immigration is gaining increasing attention. The Border Guard of Estonia is discovering an increasing number of cases where persons, who have received a Schengen Visa, never come to Estonia or continue to other countries immediately after arriving. The number of illegal entries has increased as well[57]. Legal labour migration is also on the rise. Expansion of the Schengen Visa area[58] did not lead to an increase in the demand for residence permits in general, but the number of applications for short-term residence permits for

[54] Krusell, S. Põlis- ja immigrantrahvastiku positsioonid tööturul. – Immigrantrahvastik Eestis. Vastutav toimetaja Siim Krusell. Tallinn: Statistikaamet, 2009, p 63–74.
[55] Aavik, M. Mare Ainsaar: Eesti suur võimalus ähvardab hukatuse serval. – Postimees, 8 April 2009.
[56] Suurkask, H. Soomes jõuab kriis tõeliselt pärale. – Eesti Päevaleht, 7 August 2009.
[57] Press releases of the Boarder Guard [http://www.pv.ee/index.php?page=163&action=article&article _id=1521]
[58] Estonia applied the criteria of the Schengen Visa area from 21.12. 2007 (from 29.03.2009 in airports).

Figure 5.6. **Temporary residence permits issued under the Aliens Act[59] by numbers issued (absolute numbers) and by their share among all short-term residence permits issued (per cent), 2006 to Q2 2009**



Source: Citizenship and Migration Board

the purpose of employment has increased (Figure 5.6). Even though the average wages in Estonia are significantly lower than the wages earned in the old Member States of the EU, the geographic location and historic ties facilitate immigration to Estonia from the countries of the former Soviet Union.

The total number of recent immigrants, who have come to Estonia since 1992 and whose parents were born in a foreign country, is roughly 6,600 persons, with the largest group – around 45% – coming from Russia. Among the EU countries, Finland and Latvia are the main countries of origin of the recent immigrants. More than half of recent immigrants (65%) are in the best working age, i.e., from 24 to 49 years, while the share of this age group among the natives is 46%. Most of the recent immigrants (69%) have come for family reasons (Järv 2009: 37–40)[60]. The group of recent immigrants, who arrived for the purpose of employment after 2000, includes proportionally more skilled workers, managers, professionals and officials than the local Estonian labour force, but the distribution of occupations varies depending on the country of origin. The distribution of recent immigrants between sectors is similar to the general employment structure in Estonia. While around three quarters of the recent immigrants from the old EU Member States and other developed states were employed as managers, professionals and officials, a similar share of those who arrived from the countries of the former Soviet Union were employed as skilled workers (Krusell 2009)[61]. Employment of recent immigrants in the Estonian labour market is governed by the Aliens Act. The amended version of the Act is applicable from the second half of 2008.

The fast growth in the demand for external labour during the economic boom in Estonia and a time-consuming bureaucratic recruitment process created the need for adjustments in migration policy. Economic experts developed their proposals for a more flexible and simple system for recruitment of migrant workers from 2006 and 2007. The proposals

[59] Aliens Act [https://www.riigiteataja.ee/ert/act.jsp?id=12958773] 7.05.2009.
[60] Järv, K. Uusimmigrandid Eestis. – Immigrantrahvastik Eestis. Vastutav toimetaja Siim Krusell. Tallinn: Statistikaamet, 2009, p 35–57.
[61] Krusell, S. Välismaalased eesti tööturul. – Ränne. Vastutav toimetaja Alis Tammur, Helerin Rannala. Tallinn: Statistikaamet, 2009, p 67–74.

were incorporated in the Aliens Act and the amended Act entered into force in the summer of 2008. The most important amendment was the institution of a wage criterion for short-term immigrant workers. According to this amendment, employers are required to remunerate aliens employed under a temporary residence permit for employment by paying them remuneration, which is at least equal to the total of coefficent 1.24 multiplied by the annual average wages as most recently published by Statistics Estonia (§ 133 (31) of the Aliens Act). Persons who have come to work in Estonia for a short time (less than six months) have to receive a remuneration, which is at least equal to the most recent average gross monthly wages in the principal sector of economic activity of the employer as published by Statistics Estonia, but may not be lower than the total of coefficent 1.24 multiplied by the annual average wages in Estonia (§ 132 (12) of the Aliens Act)[62]. Consequently, the gross monthly wages payable to an alien recruited today would be EEK 15,800[63]. In a survey of the Ministry of Social Affairs among employers who recruited migrant workers, 49% of the responding employers stated that this minimum wage requirement reduces the opportunities of the companies for hiring migrant workers (Veidemann 2009)[64]. In addition to complying with the wage requirement, an employer has to apply for a permission of the Unemployment Insurance Fund for hiring an alien for a period exceeding six months in one year. The application for this permission can be submitted if the employer has announced a public competition of at least three weeks in duration and has used the national labour mediation service, but has been unable to find a suitable candidate from Estonia or from the Member States of the EU and the European Economic Area. However, the majority (58%) of the respondents in the aforementioned survey still stated that the procedures associated with the recruitment of migrant workers are still too complicated (Ibid. 2009).

A survey ordered by the Ministry of Social Affairs and conducted in April 2009 by the company Turuuuringute AS indicated that specific skills and work experience are the main reason for recruiting workers from third countries. On the average, 3.6% of Estonia's medium and large businesses and institutions had recruited migrant workers from outside the European Union and the European Economic Area, i.e., from third countries, and an additional 4% had considered such recruitment. Despite the current economic situation, there is a continued demand for external labour. Approximately one quarter of the employers, who had recruited or had considered recruiting migrant labour, stated that the need for migrant labour would persist in the near future (two or three years). Most migrant workers were recruited in manufacturing, but education and accommodation were also noticeable sectors were institutions recruited or considered recruiting migrant workers. The responses indicated that the manufacturing sector is undergoing major adaptation and, consequently, the number of employers in need for migrant workers has clearly decreased and an increase in the demand cannot be foreseen in the near future. However, the education and accommodation sectors, where the decrease in demand has been slower than in other sectors, expect that there will still be a need for migrant workers, especially in food service and accommodation companies (Ibid. 2009). At the same time, the manufacturing sector has been the largest recruiter in terms of employed immigrant labour. The data from the Citizenship and Migration Board (CMB) and the Unemployment Insurance Fund confirm that the majority of applicants for work permit in 2009 were metal workers and ship's hull plate installers.

All in all only time will tell whether the amendments in the migration policy were justified, how many immigrants will come into Estonia's labour market and how they will cope.

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[62] The wage criterion only applies to certain occupations: babysitters; experts, advisers or consultants if the aliens have the required professional training; equipment installers or skilled workers if the aliens have the required professional training; seasonal work associated with the processing of agricultural produce.

[63] According to the most recent data of the Statistics Estonia (Q2 2009), the average gross monthly wages were EEK 12,716.

[64] Veidemann, B. Peer Review on "Renewed procedures for employing migrant workers with the emphasis on favouring highly-qualified labour", Estonia, 2009 [http://www.mutual-learning-employment.net/peerreviews/2009/04/migrantworkers. html]

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